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China Aluminum Cans Holdings Limited

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6898)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of China Aluminum Cans Holdings Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019 (the “Reporting Period”), together with the comparative figures for the year ended 31 December 2018. These results have been reviewed by Ernst & Young, the external auditor of the Group, and the audit committee of the Company (the “Audit Committee”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2019

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
CONTINUING OPERATIONS			
REVENUE	<i>5</i>	205,962	276,388
Cost of sales		<u>(134,264)</u>	<u>(167,184)</u>
Gross profit		<u>71,698</u>	<u>109,204</u>
Other income and gains	<i>5</i>	12,418	3,847
Selling and distribution expenses		(9,707)	(12,073)
Administrative expenses		(24,371)	(32,447)
Research and development expenses	<i>6</i>	(13,324)	(12,628)
Impairment losses on financial and contract assets	<i>6</i>	(436)	(655)
Other expenses		(3,980)	(6,549)
Finance costs	<i>7</i>	<u>(120)</u>	<u>(179)</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	<i>6</i>	32,178	48,520
Income tax expenses	<i>8</i>	<u>(7,564)</u>	<u>(10,395)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		24,614	38,125
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	<i>9</i>	<u>15,569</u>	<u>47,297</u>
PROFIT FOR THE YEAR		<u>40,183</u>	<u>85,422</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(5,660)</u>	<u>(34,739)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>34,523</u>	<u>50,683</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (continued)**

For the year ended 31 December 2019

	<i>Note</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Profit attributable to:			
Owners of the parent		39,182	79,473
Non-controlling interests		1,001	5,949
		<u>40,183</u>	<u>85,422</u>
Total comprehensive income attributable to:			
Owners of the parent		33,615	45,725
Non-controlling interests		908	4,958
		<u>34,523</u>	<u>50,683</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>11</i>		
Basic			
– For profit for the year		<u>HK4.2 cents</u>	<u>HK8.5 cents</u>
– For profit from continuing operations		<u>HK2.6 cents</u>	<u>HK4.0 cents</u>
Diluted			
– For profit for the year		<u>HK3.3 cents</u>	<u>HK6.7 cents</u>
– For profit from continuing operations		<u>HK2.0 cents</u>	<u>HK3.2 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		31 December 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>15</i>	224,409	316,965
Prepaid land lease payments		—	69,603
Right-of-use assets		12,959	—
Deferred tax assets		793	2,478
Non-current prepayments		634	16,617
		<hr/>	<hr/>
Total non-current assets		238,795	405,663
CURRENT ASSETS			
Inventories	<i>12</i>	32,049	88,773
Trade and bills receivables	<i>13</i>	22,844	69,737
Prepayments, deposits and other receivables		5,885	17,514
Pledged bank deposits		—	4,930
Cash and cash equivalents		51,698	228,149
		<hr/>	<hr/>
Total current assets		112,476	409,103
CURRENT LIABILITIES			
Trade and bills payables	<i>14</i>	4,304	57,338
Other payables and accruals		23,543	64,423
Interest-bearing bank borrowings	<i>16</i>	260	8,392
Tax payable		172	2,712
Deferred income		196	986
		<hr/>	<hr/>
Total current liabilities		28,475	133,851
NET CURRENT ASSETS			
		<hr/> 84,001 <hr/>	<hr/> 275,252 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 322,796 <hr/>	<hr/> 680,915 <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2019

		31 December	31 December
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>16</i>	—	75,000
Deferred tax liabilities		2,069	4,379
Deferred income		1,792	4,071
		<hr/>	<hr/>
Total non-current liabilities		3,861	83,450
		<hr/>	<hr/>
Net assets		318,935	597,465
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		9,342	9,342
Equity component of convertible notes		271,826	276,146
Reserves		33,028	299,163
		<hr/>	<hr/>
		314,196	584,651
Non-controlling interests		4,739	12,814
		<hr/>	<hr/>
Total equity		318,935	597,465
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. CORPORATE AND GROUP INFORMATION

China Aluminum Cans Holding Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of aluminum aerosol cans; and
- content filling of aerosol cans and production and sale of aerosol and non-aerosol products (discontinued during the year ended 31 December 2019 (note 9)).

In the opinion of the directors (the “Directors”), as at the date of these financial statements, the immediate holding company and ultimate holding company of the Company is Wellmass International Limited (“Wellmass”), a company incorporated in the British Virgin Islands (the “BVI”).

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Euro Asia Investments Global Limited	BVI	US\$1	100	—	Investment holding
Hong Kong Aluminum Cans Limited	Hong Kong	HK\$1,001	—	100	Trading of aluminum aerosol cans
Euro Asia Packaging (Hong Kong) Co. Limited	Hong Kong	HK\$1,000,000	—	100	Trading of aluminum aerosol cans
Euro Asia Packaging (Guangdong) Co., Ltd. (“Euro Asia Packaging”) (廣東歐亞包裝有限公司) *^	Mainland China	RMB125,000,000	—	98.6	Manufacture and sale of aluminum aerosol cans
European Asia Group Company Limited	Hong Kong	HK\$1,500,000	—	98.6	Trading of aluminum aerosol cans

* Euro Asia Packaging is registered as a non-wholly-foreign-owned enterprise under PRC law

^ For identification purpose only

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to IFRSs 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were 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 1 January 2019.

The Group has used the following elective practical expedient when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

Accordingly, the Group recognised right-of-use assets of HK\$563,000 and lease liabilities of HK\$563,000 as at 1 January 2019.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK\$'000
Operating lease commitments as at 31 December 2018	1,131
Less: Distribution of the Precious Dragon Group	(446)
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(104)
Add: Payments for optional extension periods not recognised as at 31 December 2018	57
	<hr/> 638
Weighted average incremental borrowing rate as at 1 January 2019	4.75%~5.125%
	<hr/>
Discounted operating lease commitments as at 1 January 2019	563
Add: Finance lease liabilities recognised as at 31 December 2018	—
	<hr/>
Lease liabilities as at 1 January 2019	<u><u>563</u></u>

Except for the adoption of IFRS 16, the adoption of the above revised standards has had no significant financial effect on these consolidated financial statements and there have been no significant changes to the accounting policies applied in the Group's consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. After the Company spun off and separately listed the shares of its aerosol and non-aerosol products business on 21 June 2019 (note 9), for management purposes, the Group operates in one operating segment which comprises the manufacture and sale of aluminum aerosol cans mainly for the packaging of household chemical products. Accordingly, no further business segment information is provided for 2019. Segment assets and liabilities as at 31 December 2018 are presented below:

Year ended 31 December 2018	Continuing operations Aluminum aerosol cans HK\$'000	Discontinued operation Aerosol and non-aerosol products HK\$'000	Total HK\$'000
Segment assets*	323,583	273,238	596,821
<u>Reconciliation:</u>			
Elimination of intersegment receivables			(15,133)
Corporate and other unallocated assets			233,078
Total assets			<u>814,766</u>
Segment liabilities**	32,084	117,224	149,308
<u>Reconciliation:</u>			
Elimination of intersegment payables			(15,399)
Corporate and other unallocated liabilities			83,392
Total liabilities			<u><u>217,301</u></u>

4. OPERATING SEGMENT INFORMATION (continued)

- * Segment assets exclude deferred tax assets, tax recoverable, pledged bank deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis
- ** Segment liabilities exclude interest-bearing bank borrowings, amounts due to related parties, convertible notes, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis

Geographical information

(a) Revenue from external customers:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing Operations:		
Africa	2,293	3,880
America	9,065	9,893
Asia	7,005	51,142
Mainland China	187,344	211,183
Middle East	255	290
	<u>205,962</u>	<u>276,388</u>
	For the	
	period from	
	1 January 2019	
	to 21 June 2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Discontinued Operation:		
Asia	5,310	41,815
America	9,584	30,219
Mainland China	190,044	410,636
Middle East	3,146	9,198
Africa	558	1,147
Japan	47,305	88,222
Others	1,044	3,924
	<u>256,991</u>	<u>585,161</u>

The revenue information above is based on the shipment destinations.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Japan	—	49
Hong Kong	473	5,168
Mainland China	237,529	397,968
	<u>238,002</u>	<u>403,185</u>

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

Revenue

An analysis of revenue is as follows:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	<u>205,962</u>	<u>276,388</u>

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS (continued)

Revenue (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of goods		
Sale of industrial products	<u>205,962</u>	<u>276,388</u>
Geographical markets		
Africa	2,293	3,880
America	9,065	9,893
Asia	7,005	51,142
Mainland China	187,344	211,183
Middle East	<u>255</u>	<u>290</u>
Total revenue from contracts with customers	<u>205,962</u>	<u>276,388</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>205,962</u>	<u>276,388</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
Sale of industrial products	<u>27,291</u>	<u>23,107</u>

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS (continued)

Revenue (continued)

Revenue from contracts with customers (continued)

(b) 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.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<u>14,257</u>	<u>27,291</u>

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

Other income and gains

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sale of scrap materials	8,062	97
Bank interest income	793	117
Government grants:		
– Related to assets*	240	255
– Related to income**	2,413	2,123
Foreign exchange differences, net	—	1,127
Income from research and development design	263	79
Income from disposal of property, plant and equipment	—	3
Others	647	46
	<u>12,418</u>	<u>3,847</u>

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS (continued)

Other income and gains (continued)

- * The amount represents the subsidies for the aluminum aerosol cans production line technical renovation program received from the local government. Government grants received for which the related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.
- ** Various government grants of HK\$2,413,000 (2018: HK\$2,123,000) represent cash receipts from and subsidies provided by the local government authorities to the Group as an encouragement for its technological innovation and overseas sales. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2019	2018
	HK\$'000	HK\$'000
Cost of inventories sold	134,264	167,184
Depreciation of property, plant and equipment	20,338	23,362
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	1,443	471
Auditor's remuneration	1,505	3,751
Research and development costs	13,324	12,628
Minimum lease payments under operating leases	—	945
Lease payments not included in the measurement of lease liabilities	525	—
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	28,781	30,717
Pension scheme contributions	2,955	2,057
	31,736	32,774
Exchange losses/(gains), net**	1,007	(1,127)
Loss on disposal of items of property, plant and equipment*	1,057	166
Impairment losses on financial and contract assets	436	655
Write-down/(reversal) of inventories to net realisable value*	644	(401)

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

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

7. FINANCE COSTS FROM CONTINUING OPERATIONS

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	95	179
Interest on lease liabilities	25	—
	<hr/>	<hr/>
	120	179
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSES FROM CONTINUING OPERATIONS

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

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

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year 2019 (2018: 16.5%).

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, Euro Asia Packaging, since it was recognised as a high technology enterprise and was entitled to a preferential tax rate of 15% for the years of 2019 and 2018.

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Mainland China	4,975	7,744
Current – Hong Kong	2,276	3,776
Deferred	313	(1,125)
	<hr/>	<hr/>
Total tax charge for the year from continuing operations	7,564	10,395
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSES FROM CONTINUING OPERATIONS (continued)

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

	2019		2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Profit before tax	<u>32,178</u>		<u>48,520</u>	
Tax at the statutory tax rate	8,045	25.0	12,130	25.0
Entities subject to a preferential tax rate	(3,315)	(10.3)	(5,056)	(10.4)
Effect of withholding tax on undistributed profits of the PRC subsidiary	365	1.1	1,226	2.5
Super deduction of R&D	(1,499)	(4.7)	(1,421)	(2.9)
Expenses not deductible for tax	2,570	8.0	1,552	3.2
Tax losses not recognised	1,209	3.8	1,868	3.8
Adjustments in respect of current tax of previous periods	<u>189</u>	<u>0.6</u>	<u>96</u>	<u>0.2</u>
Tax charge at the Group's effective tax rate	<u>7,564</u>	<u>23.5</u>	<u>10,395</u>	<u>21.4</u>

9. DISCONTINUED OPERATION

In 2018, the Company proposed to spin-off and separately list the shares of the aerosol and non-aerosol products business of the Group under Precious Dragon Technology Holdings Limited (the "Precious Dragon", together with its subsidiaries, the "Precious Dragon Group") on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 28 September 2018, Precious Dragon submitted an application to the Stock Exchange for the listing by way of introduction of, and permission to deal in the shares of Precious Dragon on the Main Board of the Stock Exchange.

On 14 June 2019, the Company's Board of Directors declared a conditional distribution in specie of all the issued share capital of the Precious Dragon Group to the Company's qualifying shareholders (note 10). On 21 June 2019, the shares of the Precious Dragon Group were listed on the Stock Exchange and the Precious Dragon Group ceased to be a subsidiary of the Company thereafter.

9. DISCONTINUED OPERATION (continued)

The consolidated results of the Precious Dragon Group for the period are presented below as a discontinued operation:

	For the period from 1 January 2019 to 21 June 2019 HK\$'000	2018 HK\$'000
REVENUE	256,991	585,161
Cost of sales	(180,082)	(427,232)
Gross profit	76,909	157,929
Other income and gains	5,518	16,567
Selling and distribution expenses	(23,670)	(45,125)
Administrative expenses	(21,610)	(39,047)
Research and development expenses	(8,722)	(22,211)
Other expenses	(3,249)	(4,118)
Finance costs	(1,686)	(2,035)
Profit before tax from the discontinued operation	23,490	61,960
Income tax expense	(7,921)	(14,663)
Profit for the period from the discontinued operation	15,569	47,297
Profit attributable to:		
Owners of the parent	15,043	42,055
Non-controlling interests	526	5,242
	15,569	47,297

The net cash flows generated from the disposal of Precious Dragon Group are as follows:

	21 June 2019 HK\$'000
Cash and bank balances disposed of	(133,744)

9. DISCONTINUED OPERATION (continued)

The net cash flows incurred by the Precious Dragon Group are as follows:

	For the period from 1 January 2019 to 21 June 2019 HK\$'000	2018 HK\$'000
Operating activities	2,018	72,826
Investing activities	(4,119)	(116,687)
Financing activities	(7,578)	93,315
Net cash inflow/(outflow)	<u>(9,679)</u>	<u>49,454</u>
Earnings per share:		
Basic, from the discontinued operation	<u>HK1.6 cents</u>	<u>HK4.5 cents</u>
Diluted, from the discontinued operation	<u>HK1.3 cents</u>	<u>HK3.5 cents</u>

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	For the period from 1 January 2019 to 21 June 2019 HK\$'000	2018 HK\$'000
Profit attributable to ordinary equity holders of the parent from the discontinued operation	15,043	42,055
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	936,094,419	934,179,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>1,187,784,641</u>	<u>1,190,160,536</u>

10. DIVIDENDS

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Distribution of the Precious Dragon Group	<i>(i)</i>	259,300	—
Interim – HK0.42 cents (2018: Nil) per ordinary share		3,940	—
Proposed final – HK0.37 cents (2018: HK2.18 cents) per ordinary share	<i>(ii)</i>	3,456	20,353
		266,696	20,353

Notes:

- (i) As mentioned in note 9, the entire issued share capital of the Precious Dragon Group was spun-off via a distribution in specie completed on 21 June 2019. The net assets attributable to the Precious Dragon Group, subject to the distribution to the Company's shareholders, amounted to approximately HK\$ 259,300,000.
- (ii) The proposed dividend on ordinary shares is subject to approval at the annual general meeting and is not recognised as a liability as at 31 December 2019.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 936,094,419 (2018: 934,179,000) in issue during the year.

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

	2019 HK\$'000	2018 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	39,182	79,473

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	936,094,419	934,179,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	—	291,314
Convertible Notes	251,690,222	255,690,222
	<u> </u>	<u> </u>
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<u>1,187,784,641</u>	<u>1,190,160,536</u>

12. INVENTORIES

	2019	2018
	HK\$'000	HK\$'000
Raw materials	16,834	37,012
Work in progress	625	4,720
Finished goods	14,590	47,041
	<u> </u>	<u> </u>
	<u>32,049</u>	<u>88,773</u>

13. TRADE AND BILLS RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	21,384	66,040
Impairment	(1,180)	(5,930)
	<hr/>	<hr/>
Trade receivables, net	20,204	60,110
Bills receivable	2,640	9,627
	<hr/>	<hr/>
	22,844	69,737
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	7,559	24,184
31 to 60 days	3,207	17,434
61 to 90 days	792	3,907
Over 90 days	8,646	14,585
	<hr/>	<hr/>
	20,204	60,110
	<hr/> <hr/>	<hr/> <hr/>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At beginning of year	5,930	5,230
Impairment losses	2,095	1,425
Distribution of the Precious Dragon Group	(6,765)	—
Exchange realignment	(80)	(725)
	<hr/>	<hr/>
At end of year	1,180	5,930
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE AND BILLS RECEIVABLES (continued)

An impairment analysis is performed at each reporting date 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., by 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 forecasts 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				Total
	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	
As at 31 December 2019					
<u>Aluminum aerosol cans</u>					
Related party:					
Expected credit loss rate	—	—	—	—	—
Gross carrying amount (HK\$'000)	1,534	95	—	—	1,629
Expected credit losses (HK\$'000)	—	—	—	—	—
Third party:					
Expected credit loss rate	2.00%	2.00%	2.00%	10.40%	5.97%
Gross carrying amount (HK\$'000)	6,430	3,179	808	9,338	19,755
Expected credit losses (HK\$'000)	129	64	16	971	1,180
Total expected credit losses (HK\$'000)	129	64	16	971	1,180

13. TRADE AND BILLS RECEIVABLES (continued)

	Ageing				Total
	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	
As at 31 December 2018					
<u>Aluminum aerosol cans</u>					
Expected credit loss rate	—	—	—	7.28%	3.34%
Gross carrying amount (HK\$'000)	6,333	3,707	2,607	10,738	23,385
Expected credit losses (HK\$'000)	—	—	—	782	782
<u>Aerosol and non-aerosol products</u>					
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)	—	—	—	5,930	5,930

14. TRADE AND BILLS PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	2,946	35,791
31 to 60 days	273	10,770
61 to 90 days	166	9,844
Over 90 days	919	933
	<u>4,304</u>	<u>57,338</u>

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office and other equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2019						
At 1 January 2019:						
Cost	150,992	345,136	25,635	25,441	11,587	558,791
Accumulated depreciation	(66,782)	(154,007)	(13,232)	(7,805)	—	(241,826)
Net carrying amount	<u>84,210</u>	<u>191,129</u>	<u>12,403</u>	<u>17,636</u>	<u>11,587</u>	<u>316,965</u>
At 1 January 2019, net of						
accumulated depreciation	84,210	191,129	12,403	17,636	11,587	316,965
Additions	993	2,950	664	3,880	29,566	38,053
Distribution of the Precious						
Dragon Group	(56,332)	(16,139)	(6,945)	(12,663)	(4,370)	(96,449)
Disposals	(313)	(145)	(402)	(1,032)	—	(1,892)
Depreciation provided						
during the year	(6,855)	(18,157)	(2,043)	(2,020)	—	(29,075)
Transfers	—	1,648	—	—	(1,648)	—
Exchange realignment	(286)	(2,750)	(20)	(39)	(98)	(3,193)
At 31 December 2019, net of accumulated depreciation	<u>21,417</u>	<u>158,536</u>	<u>3,657</u>	<u>5,762</u>	<u>35,037</u>	<u>224,409</u>
At 31 December 2019:						
Cost	46,202	299,284	7,301	9,430	35,037	397,254
Accumulated depreciation	(24,785)	(140,748)	(3,644)	(3,668)	—	(172,845)
Net carrying amount	<u>21,417</u>	<u>158,536</u>	<u>3,657</u>	<u>5,762</u>	<u>35,037</u>	<u>224,409</u>

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office and other equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2018						
At 1 January 2018:						
Cost	155,590	349,889	21,689	15,121	8,069	550,358
Accumulated depreciation	(58,238)	(139,512)	(12,606)	(9,058)	—	(219,414)
Net carrying amount	<u>97,352</u>	<u>210,377</u>	<u>9,083</u>	<u>6,063</u>	<u>8,069</u>	<u>330,944</u>
At 1 January 2018, net of						
accumulated depreciation	97,352	210,377	9,083	6,063	8,069	330,944
Additions	3,316	12,657	5,118	13,593	5,597	40,281
Disposals	—	(121)	(18)	(626)	—	(765)
Depreciation provided during the year	(12,069)	(23,374)	(1,390)	(1,132)	—	(37,965)
Transfers	19	1,613	26	—	(1,658)	—
Exchange realignment	(4,408)	(10,023)	(416)	(262)	(421)	(15,530)
At 31 December 2018, net of						
accumulated depreciation	<u>84,210</u>	<u>191,129</u>	<u>12,403</u>	<u>17,636</u>	<u>11,587</u>	<u>316,965</u>
At 31 December 2018:						
Cost	150,992	345,136	25,635	25,441	11,587	558,791
Accumulated depreciation	(66,782)	(154,007)	(13,232)	(7,805)	—	(241,826)
Net carrying amount	<u>84,210</u>	<u>191,129</u>	<u>12,403</u>	<u>17,636</u>	<u>11,587</u>	<u>316,965</u>

The Group's buildings are located in Mainland China.

Certain of the Group's interest-bearing bank borrowings were secured by the Group's buildings with a carrying value of HK\$3,815,000 as at 31 December 2019 (2018: HK\$56,763,000) (note 16).

Certain of the Group's interest-bearing bank borrowings were secured by the Group's plant and machinery with a carrying value of HK\$53,994,000 as at 31 December 2019 (2018: HK\$58,342,000) (note 16).

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
Current						
Lease liabilities	2.563%~5.125%	2020	260			—
Current portion of long term interest-bearing bank loans – secured			—	PBOC base rate*1.20	2019	8,392
			<u>260</u>			<u>8,392</u>
Non-current						
Long term interest-bearing bank loans – secured			—	Hong Kong Interbank Rate+1.70%	2020-2021	75,000
			—			75,000
			<u>260</u>			<u>83,392</u>

Notes:

Hong Kong Interbank Rate stands for the three-month Hong Kong Interbank Offered Rate in the Hong Kong Dollar Interbank Market at or at 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 China.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank loans repayable:		
Within one year or on demand	—	8,392
In the second year	—	30,000
In the third year	—	45,000
	<u>—</u>	<u>83,392</u>
Other borrowings repayable:		
Within one year or on demand	<u>260</u>	<u>—</u>

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

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Property, plant and equipment	15	57,809	115,105
Prepaid land lease payments		2,886	58,348
Prepayments, deposits and other receivables		—	1,877
		<u>60,695</u>	<u>175,330</u>

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest-bearing bank borrowings denominated in:		
— RMB	—	8,392
— HK\$	—	75,000
	<u>—</u>	<u>83,392</u>

The Group has the following undrawn banking facilities:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Floating rate		
— to expire within one year	<u>98,087</u>	<u>182,362</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the manufacture and sale of monobloc aluminum aerosol cans, which are generally used in the packaging of fast-moving personal care products such as body deodorant, hair styling products and shaving cream, as well as pharmaceutical products such as pain relieving spray, spray dressing and antiseptic spray. The Group has a wide range of extrusion dies available to produce more than 50 models of aluminum aerosol cans of base diameters from 22 mm to 66 mm and heights from 58 mm to 240 mm with various features and shapes for our customers' selection.

The Company has successfully spun off its content filing of aerosol cans, and the production and sale of aerosol and non-aerosol products operation, Precious Dragon for a separate listing on the Main Board of the Stock Exchange on 21 June 2019 under the stock code 01861. Through the spin-off of Precious Dragon for a separate listing, the Group has delineated clearly its manufacturing and sale of monobloc aluminum aerosol cans and content filing of aerosol cans, and the production and sale of aerosol and non-aerosol products operation by establishing for each of them a separate business platform. The Company will continue to focus on development of its core business and enhance its decision making efficiency and ability to accommodate changes in the market.

OPERATING ENVIRONMENT AND PROSPECTS

The Group continues to face severe world-wide competition in the aluminum aerosol cans markets, especially from the increase in competition from small-sized overseas aerosol can manufacturers and the slowdown of growth in the consumable products and domestic demands in the People's Republic of China ("PRC").

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

FINANCIAL REVIEW

Turnover

For the Reporting Period, the Group has recorded a total turnover of approximately HK\$206.0 million (2018: approximately HK\$276.4 million), representing a decrease of approximately 25.5% as compared to the corresponding period of 2018. The number of aluminum aerosol cans sold by the Group for the Reporting Period was approximately 123.2 million (2018: approximately 150.1 million). Whereas, the revenue of the Group from the PRC markets was HK\$187.3 million (2018: HK\$211.2 million). The decrease in revenue was primarily due to the world economy is shrouded in the shadow of the Sino-US trade war, there are huge uncertainties and changes in global and the PRC economic development. As a result, the turnover for both the PRC and overseas market are decreasing.

Cost of Sales

For the Reporting Period, cost of sales of the Group amounted to approximately HK\$134.3million (2018: approximately HK\$167.2 million), which represented approximately 65.2% (2018: approximately 60.5%) of the turnover in the Reporting Period. There was an increase of approximately 4.7% in the percentage of cost of sales to turnover which was mainly attributable to the net effects of (i) the increase in unit raw materials costs in certain products; and (ii) the increase in unit production overhead costs because of decreasing in production scales, which shared a higher fixed overhead costs per unit.

Other Income and Gains

Other income and gains mainly consist of sales of scrap materials, government grants, bank interest income, income from provision of research and development services and net exchange differences. During the period, other income and gains of the Group was approximately HK\$12.4 million (2018: approximately HK\$3.8 million), representing a significant increase of 226.3%, which was mainly due to the net effects of (i) significant increase in sales of scrap material approximately HK\$8.0 million; (ii) increase in bank interest income approximately HK\$0.7 million; (iii) increase in government grants approximately HK\$0.3 million; and (iv) decrease in net exchange differences approximately HK\$1.1 million.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel and entertainment expenses, and advertisement and promotion costs. For the Reporting Period, selling and distribution expenses were approximately HK\$9.7 million (2018: approximately HK\$12.1 million), representing a decrease of approximately 19.8% as compared to the corresponding period of 2018. The decrease was primarily due to a decrease in transportation expenses, which amounted to approximately HK\$3.8 million (2018: approximately HK\$5.9 million), which was in line with the decrease in sales.

Administrative Expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, depreciation and other miscellaneous administrative expenses. For the Reporting Period, administrative expenses were approximately HK\$24.4 million (2018: approximately HK\$32.4 million), representing a significant decrease of approximately 24.7% as compared to the corresponding period of 2018. The decrease in administrative expenses was primarily due to (i) the decrease in travelling expenses of approximately HK\$1.1 million; (ii) the significant decrease in professional fee and consulting fee of approximately HK\$4.2 million; and (iii) the decrease in tax surcharges of approximately HK\$1.6 million.

Net Profit

The Group's net profit from continuing operations amounted to approximately HK\$24.6 million for the Reporting Period (2018: approximately HK\$38.1 million), representing a decrease of approximately 35.4% as compared to the corresponding period in 2018. Net profit margin for the Reporting Period was approximately 12.0% (2018: approximately 13.8%).

The decrease in net profit was mainly due to net effects of (i) the decrease in sales and production scales; (ii) the increase in other income and gains; and (iii) the decrease in selling and administrative expenses due to cost control.

The Group's net profit from discontinued operation amounted to approximately HK\$15.6 million for the Reporting Period (2018: HK\$47.3 million), representing a decrease of approximately 67.0% as compared to the corresponding period in 2018. The decrease in the net profit from discontinued operation was mainly due to the net profit from discontinued operation, Precious Dragon, was spun off from the Group since 21 June 2019.

TREASURY POLICY

The Group adopts treasury policy that aims to better control its treasury operations and lower borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

As at 31 December 2019, the Group had net current assets of approximately HK\$84.0 million (31 December 2018: approximately HK\$275.3 million). The Group's cash and cash equivalents and pledged bank deposits amounted to HK\$51.7 million as at 31 December 2019 (31 December 2018: approximately HK\$233.1 million) which are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The current ratio of the Group was approximately 3.9 as at 31 December 2019 (31 December 2018: approximately 3.1).

Borrowing and the Pledge of Assets

No bank borrowings of the Group were secured by our properties, plant and equipment and land use rights as at 31 December 2019 (31 December 2018: approximately HK\$ 83.4 million). All borrowings are charged with reference to bank's preferential floating rates of People's Bank of China and Hong Kong Interbank Offered Rate ("HIBOR"). All borrowings are mainly denominated in Renminbi and Hong Kong dollars.

As at 31 December 2019, we had available unutilized banking facilities of approximately HK\$98.1 million (31 December 2018: approximately HK\$182.4 million). Further details of the Group's bank borrowings are set out in note 16 to the consolidated financial statements.

Gearing Ratio

As a result of a decrease in cash and cash equivalents and pledged bank deposits and a decrease in total borrowings of the Group, the gearing ratio which is calculated by dividing net debt by total equity and net debt, amounted to approximately -15% as at 31 December 2019 (31 December 2018: -14%).

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

Contractual Obligations

As at 31 December 2019, the Group's capital commitment of plant and machinery amounted to HK\$1.7 million (31 December 2018: approximately HK\$20.6 million).

CAPITAL STRUCTURE

As at 31 December 2019, the total number of issued shares of the Company (the "Shares") was 934,179,000 (31 December 2018: 934,179,000).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 9.0% of the Group's revenue for the Reporting Period were denominated in the United States dollar ("US\$"). However, over 90.0% of the production costs were conducted in RMB. Therefore, there is a currency mismatch between US\$ revenue and RMB production costs, which gives rise to exposure to foreign exchange risk. Furthermore, there is a time lag between invoicing and final settlement from customers of export sales. The Group is exposed to foreign exchange risks if the foreign exchange rate at which the US\$ sales proceeds received from export sales is different from the rate at which the Group used to book the US\$ sales transactions at the time of sales.

During the year ended 31 December 2019, we did not enter into any foreign currency forward contracts or have any outstanding foreign currency forward contracts.

FORWARD PURCHASE OF ALUMINUM INGOTS

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

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

During the year ended 31 December 2019, we had conducted forward purchases with amounts of approximately RMB15.0 million consisting of 1,200 tonnes of aluminum ingots. As at 31 December 2019, we did not have any outstanding forward purchases.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2019, the Group had a workforce of 277 employees (31 December 2018: 302 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$32.9 million for the Reporting Period (2018: approximately HK\$34.8 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of an individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees of the Group. The emoluments of the Directors have been determined with reference to the skills, knowledge, contribution in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the Reporting Period.

SIGNIFICANT INVESTMENTS

During the Reporting Period, the Group did not have any significant investments (2018: Nil).

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 28 June 2013 (the “Prospectus”) were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the public offer and placing of our Shares (the “Share Offer”) were approximately HK\$80.0 million. During the Reporting Period, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the prospectus	Actual net proceeds (HK\$ million)	Actual amount utilized subsequent to			Expected timeline for unutilized net proceeds
		Actual amount utilized up to 31 December 2018 (HK\$ million)	31 December 2018 and up to 31 December 2019 (HK\$ million)	31 December 2018 (HK\$ million)	
Partially fund the expansion of our production capacity, including the upgrade of our existing production lines and the acquisition of a brand new production line for aluminum aerosol cans	48.0	48.0	—	—	
Establish a new research and development laboratory	12.0	3.3	—	8.7	by 31 December 2020
Partially repay US\$ denominated bank loan	16.0	16.0	—	—	
General working capital purposes	4.0	4.0	—	—	
	<u>80.0</u>	<u>71.3</u>	<u>—</u>	<u>8.7</u>	

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 28 September 2018, the Company proposed to carry out a spin-off and separate listing of the shares of Precious Dragon on the Main Board of the Stock Exchange (the "Spin-off"). The Spin-off was proposed by way of introduction, to be implemented by means of a distribution in specie of the entire issued share capital of Precious Dragon owned by the Company to the shareholders of the Company (the "Shareholders").

On 29 May 2019, the Board has approved the Spin-off and declared a conditional distribution in specie of the entire issued share capital of Precious Dragon held by the Company, representing the entire issued share capital of Precious Dragon, to the Shareholders whose names appear on the register of members of the Company on 14 June 2019.

Precious Dragon Group is principally engaged in the design, development, manufacture and sale of a wide range of automotive beauty and maintenance products, personal care products and other products including household products, which are in the form of aerosol and non-aerosol products. Precious Dragon successfully completed its spin-off and was listed on the Main Board of the Stock Exchange on 21 June 2019. Details of the Spin-off were set out in the announcements of the Company dated 28 September 2018, 2 April 2019, 17 May 2019 and 29 May 2019.

Save as disclosed above, during the year ended 31 December 2019, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

CORPORATE GOVERNANCE PRACTICES

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

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

AUDIT COMMITTEE

The Audit Committee was established on 20 June 2013 with terms of reference (amended on 31 December 2015) in compliance with the CG Code to the Listing Rules for the purpose of making recommendations to the Board on the appointment and removal of the external auditors, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the risk management and internal control systems of the Group. The Audit Committee comprises four members, all being independent non-executive Directors, namely, Mr. Yip Wai Man Raymond (Chairman), Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Chung Yi To. The Group’s accounting principles and practices, financial statements and related materials for the Reporting Period had been reviewed by the Audit Committee. The financial results of the Group for the Reporting Period have also been audited by Ernst & Young, the external auditor of the Group.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established on 20 June 2013, with specific written terms of reference for making recommendations to the Board regarding the Group’s policy and structure for all remuneration of Directors and senior management and approving the remuneration package of the individual executive Directors, the specific duties set out in CG Code provisions B.1.2(a) to (h). The Remuneration Committee comprises a total of six members, being one executive Director, namely, Mr. Lin Wan Tsang, one non-executive Director, namely, Mr. Kwok Tak Wang, and four independent non-executive Directors, namely, Ms. Guo Yang (Chairman), Dr. Lin Tat Pang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond. Accordingly, a majority of the members are independent non-executive Directors.

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

The Risk Management Committee has reviewed the hedging policies regarding its activities in forward purchases of aluminum ingots and entering into foreign currency forward contracts statements of the Group for the year ended 31 December 2019 and is of the opinion that the Group has complied with the hedging policy.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, (i) 4,000,000 new ordinary Shares of HK\$1.08 each were issued upon the conversion of convertible notes; and (ii) 36,394,000 ordinary shares were repurchased on the Stock Exchange and 4,000,000 ordinary shares were subsequently cancelled by the Company. 32,394,000 repurchased ordinary shares of the Company were cancelled after 31 December 2019. The summary details of the repurchases are as follows:

Month	Number of ordinary shares repurchased	Price per share		Total price paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
September 2019	2,654,000	0.53	0.485	1,380,170
October 2019	1,346,000	0.56	0.47	727,540
December 2019	32,394,000	0.57	0.52	18,209,760
Total	<u>36,394,000</u>			<u>20,317,470</u>

The total amount of HK\$20,317,470 of the repurchase was paid wholly out of retained profits and 4,000,000 repurchased ordinary shares of the Company were cancelled during the year ended 31 December 2019. 32,394,000 repurchased ordinary shares of the Company were cancelled after 31 December 2019. The above repurchases during the Reporting Period were effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting of the Company, with a view to benefiting the shareholders as a whole by enhancing the net assets value per share and earnings per share of the Company.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' Securities transactions. Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code throughout the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of pneumonia caused by the new coronavirus (the “COVID-19 Outbreak”) in January 2020, the prevention and control of the pneumonia epidemic have been continuously carried out nationwide both in Mainland China and Hong Kong.

The COVID-19 Outbreak in some provinces and cities, as well as the overall economy, caused certain influence, to some extent, which could affect the business of the Group. The extent of influence will depend on the situation of the epidemic prevention and control, duration and the implementation of the regulation policies.

The Group will continue to pay close attention to the development of the COVID-19 Outbreak, and evaluate and actively respond to its impact on the Company’s financial position, operating results and other aspects. As of the date of this announcement, this assessment was still in progress.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.37 cents per share for the year ended 31 December 2019 (2018: HK2.18 cents per share) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 27 May 2020, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) to be held on 15 May 2020. The final dividend will be payable on or around 10 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 May 2020 to 15 May 2020, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 11 May 2020.

The register of members of the Company will be closed from 25 May 2020 to 27 May 2020, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at the above address for registration not later than 4:30 p.m. on 22 May 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.6898hk.com>). The annual report of the Company for the year ended 31 December 2019 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
China Aluminum Cans Holdings Limited
中國鋁罐控股有限公司
Lin Wan Tsang
Chairman and executive Director

Hong Kong, 23 March 2020

As at the date of this announcement, the executive Directors are Mr. Lin Wan Tsang and Mr. Dong Jiangxiong; the non-executive Director is Mr. Kwok Tak Wang; and the independent non-executive Directors are Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond.