

**Precious Dragon Technology
Holdings Limited**

保寶龍科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1861



LISTING BY WAY OF INTRODUCTION



Sole Sponsor



中國通海企業融資
CHINA TONGHAI CAPITAL

IMPORTANT

You are advised to exercise caution when reading this listing document. If you are in any doubt about any of the contents of this listing document, you should obtain independent professional advice.

Precious Dragon Technology Holdings Limited 保寶龍科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING BY WAY OF INTRODUCTION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock code: 1861

Sole Sponsor



中國通海企業融資
CHINA TONGHAI CAPITAL

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This listing document is published in connection with the Listing on the Main Board of the Stock Exchange and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to our Group.

The listing document does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of our Company, nor have any such shares or other securities been allotted or issued with a view to any of them being offered for sale to, or subscription by, the public. No Shares will be allotted or issued in connection with, or pursuant to, this listing document.

Neither this listing document nor any copy hereof may be released, forwarded or distributed, directly or indirectly, in or into the United States, the PRC or any other jurisdiction where such release or distribution might be unlawful.

The China Aluminum Cans Shareholders and the Beneficial China Aluminum Cans Shareholders located or resident in jurisdictions other than Hong Kong should refer to the important information set out in the section headed “The Distribution and Spin-off — The Distribution — Excluded China Aluminum Cans Shareholders” in this listing document.

Your attention is drawn to the section headed “Risk factors” in this listing document.

Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, our Shares following completion of the Spin-off is set out in the section headed “Information about this listing document and the Spin-off” in this listing document.

3 June 2019

EXPECTED TIMETABLE

Event	Date ⁽¹⁾
Last day of dealings in the China Aluminum Cans Shares on a cum entitlement basis on	Wednesday, 5 June 2019
First day of dealings in the China Aluminum Cans Shares on an ex entitlement basis on	Thursday, 6 June 2019
Latest time for lodging transfers of the China Aluminum Cans Shares to qualify for entitlement to our Shares pursuant to the Distribution at	4:30 p.m. on Monday, 10 June 2019
Register of members of China Aluminum Cans closes from	Tuesday, 11 June 2019 to Friday, 14 June 2019
Distribution Record Date	Friday, 14 June 2019
Register of members of China Aluminum Cans re-opens on	Monday, 17 June 2019
Share certificates of our Shares to be despatched ⁽²⁾ on	Thursday, 20 June 2019
Dealings in our Shares on the Stock Exchange expected to commence ⁽²⁾ at	9:00 a.m. on Friday, 21 June 2019
Payment to the Excluded China Aluminum Cans Shareholders of the net proceeds of the sale of our Shares which they would otherwise receive pursuant to the Distribution on or around ⁽³⁾	Friday, 26 July 2019

Notes:

- (1) All dates and times refer to Hong Kong dates and times, unless otherwise stated. If there is any change in the expected timetable or if the Listing does not proceed, our Company will make an announcement as soon as practicable thereafter.
- (2) The Share certificates are expected to be despatched to the Qualifying China Aluminum Cans Shareholders on Thursday, 20 June 2019 by ordinary post at their own risk. The Share certificates will only become valid if the Distribution becomes unconditional. In the event the Distribution does not become unconditional, dealings in our Shares on the Stock Exchange will not commence on Friday, 21 June 2019. China Aluminum Cans Shareholders and other investors who trade in our Shares prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.
- (3) Excluded China Aluminum Cans Shareholders will be entitled to the Distribution but will not receive our Shares. Instead, they will receive a cash amount equal to the net proceeds of the sale of our Shares to which they would otherwise be entitled pursuant to the Distribution after dealings in our Shares commence on the Stock Exchange at the prevailing market price. The proceeds of such sale, net of expenses and taxes, will be paid to the relevant Excluded China Aluminum Cans Shareholders in Hong Kong dollars. China Aluminum Cans will retain individual amounts of less than HK\$100 for its own benefit and such amount will not be paid to the Excluded China Aluminum Cans Shareholders.

By reference to the information provided to the China Aluminum Cans Board and our Board, as at the Latest Practicable Date, there is no Excluded Jurisdictions. The China Aluminum Cans Board and our Board do not propose to distribute our Shares to the Excluded China Aluminum Cans Shareholders in the Excluded Jurisdictions as part of the Distribution. If the Excluded Jurisdiction(s) turns out to be different, China Aluminum Cans will announce, after the Distribution Record Date, the Excluded Jurisdiction(s). Such announcement is expected to be made on or before the Listing Date. Further information is set out in the section headed “The Distribution and Spin-off” in this listing document.

CONTENTS

IMPORTANT NOTICE

We have not authorised anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorised by us, the Sole Sponsor, China Aluminum Cans or any of our or their respective directors, officers, employees, agents or representatives or any other person or party involved in the Spin-off.

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SUMMARY

This summary is intended to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety.

OVERVIEW

We are a leading automotive beauty and maintenance aerosol products manufacturer in the PRC. According to the CIC Report, in 2018, we were ranked first in the manufacturing of aerosol products used in the automotive beauty and maintenance market in the PRC in terms of revenue, with a market share of approximately 13.2%, and the sales volume of aerosol products constituted approximately 20% of the total sales volume of products used in the automotive beauty and maintenance market in the PRC in 2018. In addition to automotive beauty and maintenance products, we also design, develop, manufacture and sell personal care products and other products including household products. Our products are in the form of both aerosol and non-aerosol products.

Our predecessor, China Aluminum Cans which is a company listed on the Main Board of the Stock Exchange (stock code: 6898), is engaged in the manufacturing and sale of monobloc aluminum aerosol cans. The Spin-off will effect the separation of the two groups which have different business focus.

OUR BUSINESS MODEL

Our Products

Our products can be broadly classified into automotive beauty and maintenance products, personal care products and other products. Our automotive beauty and maintenance products include auto cleaning and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners. During the Track Record Period, such products were sold on both CMS and OBM basis. Our personal care products include, among others, foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash. During the Track Record Period, all of our personal care products were sold on a CMS basis, and such products were sold to both domestic CMS customers and overseas CMS customers. Other products include household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools. During the Track Record Period, such products were sold on both CMS and OBM basis.

The following table sets forth our revenue by product categories for each of our OBM and CMS business models during the Track Record Period:

	Year ended 31 December					
	2016	% of	2017	% of	2018	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
OBM products						
Automotive beauty and maintenance products						
- Aerosol products	250,237	47.5%	252,454	48.7%	262,872	43.0%
- Non-aerosol products	52,023	9.9%	53,527	10.3%	57,019	9.3%
Household products	1,106	0.2%	1,139	0.2%	907	0.2%
Subtotal	303,366	57.6%	307,120	59.2%	320,798	52.5%
CMS products						
Automotive beauty and maintenance products						
- Aerosol products	162,502	30.9%	138,119	26.7%	154,602	25.3%
- Non-aerosol products	11,528	2.2%	5,550	1.1%	5,736	1.0%
Personal care products	44,507	8.4%	59,339	11.4%	125,920	20.6%
Household products	4,717	0.9%	7,937	1.5%	3,691	0.6%
Subtotal	223,254	42.4%	210,945	40.7%	289,949	47.5%
Others <i>(Note)</i>	235	0.0%	316	0.1%	117	0.0%
Total	526,855	100%	518,381	100%	610,864	100.0%

Note: "Others" include packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

SUMMARY

During the Track Record Period, our revenue was primarily attributable to our automotive beauty and maintenance products. For the year ended 31 December 2017, sales of our automotive beauty and maintenance products decreased by approximately 5.6% as compared to the previous year, primarily due to the decrease in sales orders received from a major CMS customer in Japan due to intense competition. The revenue generated from this CMS customer decreased by approximately 57.0% from approximately HK\$21.7 million for the year ended 31 December 2016 to approximately HK\$9.3 million for the year ended 31 December 2017. For the year ended 31 December 2018, sales of our automotive beauty and maintenance products increased by approximately 6.8% as compared to the previous year, primarily due to (i) the increase in our sales to three export and trading companies in the PRC which assisted us in exporting our products to our CMS customers overseas; (ii) the general increase in the selling prices of a majority of our OBM products since May 2018; and (iii) the depreciation of RMB against USD which stimulated export sales of our CMS products. Fluctuations in sales of our automotive beauty and maintenance products were mainly due to changes in demand for our products, the effect of currency fluctuations, our sales and marketing efforts in promoting our products and changes in the selling prices of certain OBM products.

For the three years ended 31 December 2018, sales of our personal care products contributed approximately 8.4%, 11.4% and 20.6% of our revenue, respectively. The significant growth of the sales of our personal care products for the Track Record Period was primarily due to the increase in demand for our personal care products. For the year ended 31 December 2018, sales of our personal care products increased significantly by approximately 112.2% to approximately HK\$125.9 million as compared to the previous year, primarily attributable to (i) the general increase in the number of customers of our personal care products; (ii) the increase in export sales to a major customer in the U.S.; and (iii) our Group's continuous strategy of placing increasing focus on the personal care market given the higher gross profit margin in general and the increasing demand for personal care products in the PRC.

For more details, please refer to the section headed "Financial information — Description and analysis of principal components in the combined statements of profit or loss and other comprehensive income — Revenue" of this listing document.

The following table sets forth our gross profit and gross profit margin by product categories during the Track Record Period:

	Year ended 31 December					
	2016	Gross profit margin	2017	Gross profit margin	2018	Gross profit margin
	Gross profit HK\$'000	%	Gross profit HK\$'000	%	Gross profit HK\$'000	%
Automotive beauty and maintenance products	169,559	35.6%	130,787	29.1%	120,650	25.1%
Personal care products	8,750	19.7%	14,396	24.3%	36,302	28.8%
Other products (<i>Note</i>)	<u>1,332</u>	22.0%	<u>2,294</u>	24.4%	<u>608</u>	12.9%
Total	<u>179,641</u>	34.1%	<u>147,477</u>	28.4%	<u>157,560</u>	25.8%

Note: "Other products" include household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

Our gross profit margin decreased from approximately 34.1% for the year ended 31 December 2016 to approximately 28.4% for the year ended 31 December 2017 and to approximately 25.8% for the year ended 31 December 2018. During the Track Record Period, our gross profit margin was largely affected by our sales performance, our costs of purchase of raw materials (including solvents and packaging materials), product mix and changes in the selling prices of our OBM products.

During the Track Record Period, we benefited from the increase in our PRC sales and sales of our personal care products which entailed relatively high gross profit margins. The decrease in our costs of purchase of solvents (which in turn were caused by the changes in the prices of global crude oil) enhanced our gross profit margin for the year ended 31 December 2016, but the subsequent increase in our costs of purchase of raw materials contributed to the decrease in our gross profit margins for the two years ended 31 December 2018.

SUMMARY

For further details, please refer to the sections headed “Financial information — Key factors affecting our results of operations” and “Financial information — Description and analysis of principal components in the combined statements of profit or loss and other comprehensive income — Gross profit and gross profit margin” in this listing document.

Original Brand Manufacturing (OBM) and Contract Manufacturing Service (CMS)

We supply our products on both OBM basis and CMS basis.

Our OBM Products

Our OBM products represent original brand manufacturing products, that is, products which we design, develop, manufacture and sell under our own or licensed brand names, including BOTNY (保賜利), ATM, ETOMAN (已度明), NISSEI, WIN (勝彩), FOX-D (狐狸), PISCIS (百麗時) and PARLUX (派樂士). Our award-winning BOTNY (保賜利) brand is our signature brand. Among other awards, our BOTNY (保賜利) brand was selected as one of the Top 100 Automotive Post-market Brands* (2018 中國汽車後市場百強品牌) by Global Automotive Media Recommendation Center* (全球汽車媒體聯薦中心) and the CIAACE Committee* (CIAACE 中國汽車用品暨改裝汽車展覽會組委會) in 2018 and the ternary catalytic restoration agent (三元催化修復劑) under our BOTNY (保賜利) brand was awarded 2016 Recommended Product* (2016年推薦大獎) by Auto Magazine* (汽車雜誌). For the three years ended 31 December 2018, we derived approximately 57.6%, 59.2% and 52.5% of our revenue from our supply of OBM products, of which approximately 77.0%, 80.4% and 81.6% were attributable to our BOTNY (保賜利) brand, respectively.

Our OBM customers comprise (i) contractual and non-contractual distributors in the PRC; (ii) customers who purchased our products through our two online retail stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com; (iii) our overseas OBM customers; and (iv) other OBM customers primarily including trading companies, retailers or wholesalers of automotive beauty and maintenance products, paint, chemicals and hardware and individuals which directly purchase OBM products from us. As at 31 December 2018, we had over 190 contractual distributors and over 600 non-contractual distributors. The distributors in turn sell our products to sub-distributors, other outlets (including supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers as well as online retailers) and end consumers.

CMS products

Our CMS products represent contract manufacturing service products, that is, products we manufacture which are marketed and sold under our customers’ brand names. Our CMS products are manufactured on OEM basis or ODM basis. In the case of OEM, we manufacture our CMS products in accordance with our customers’ designs and specifications. In the case of ODM, we design, develop and manufacture our CMS products. For the three years ended 31 December 2018, we derived approximately 42.4%, 40.7% and 47.5% of our revenue from our supply of CMS products.

The following table sets forth our revenue by business model for our CMS products during the Track Record Period:

	Year ended 31 December					
	2016	% of	2017	% of	2018	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
OEM basis	52,062	23.3%	65,212	30.9%	127,219	43.9%
ODM basis	<u>171,192</u>	<u>76.7%</u>	<u>145,733</u>	<u>69.1%</u>	<u>162,730</u>	<u>56.1%</u>
Total revenue for CMS products	<u>223,254</u>	<u>100%</u>	<u>210,945</u>	<u>100%</u>	<u>289,949</u>	<u>100%</u>

Our major CMS customers include: (i) overseas brand owners or their outsourcing agent companies; (ii) export and trading companies, which export our CMS products to overseas countries; and (iii) PRC brand owners or their outsourcing agent companies. We have established approximately 3 to 10 years of business relationship with our top five customers during the Track Record Period which were all CMS customers. During the Track Record Period, a majority of our CMS products were ultimately distributed overseas.

SUMMARY

Revenue

The following table sets forth the a breakdown of our revenue by business model during the Track Record Period:

	Year ended 31 December					
	2016	% of	2017	% of	2018	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
OBM						
contractual distributors (Note 1)	189,032	35.9%	194,275	37.5%	205,091	33.6%
non-contractual distributors (Note 2)	95,038	18.0%	91,311	17.6%	85,706	14.0%
online retail stores (Note 3)	1,613	0.3%	1,775	0.3%	8,886	1.4%
overseas OBM customers	6,102	1.2%	8,595	1.7%	8,280	1.4%
other OBM customers (Note 4)	11,581	2.2%	11,164	2.1%	12,835	2.1%
Subtotal	303,366	57.6%	307,120	59.2%	320,798	52.5%
CMS						
Overseas	157,954	30.0%	123,912	23.9%	181,624	29.8%
PRC	65,300	12.4%	87,033	16.8%	108,325	17.7%
Subtotal	223,254	42.4%	210,945	40.7%	289,949	47.5%
Others (Note 5)	235	—	316	0.1%	117	0.0%
Total	526,855	100.0%	518,381	100.0%	610,864	100.0%

Notes:

- Our contractual distributors, which entered into distribution agreements with us, sell our OBM products to their sub-distributors, other outlets (including supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers as well as online retailers) and end consumers. For details of the terms of distribution agreements, please refer to the section headed “Business — Our customers — Our OBM customers — (1) Distributors — (i) Contractual distributors — Key terms of distribution agreements” in this listing document.
- Our non-contractual distributors include our OBM customers which did not enter into distribution agreements with us or few of which failed to execute the distribution agreement properly (i.e. execution of distribution agreements without affixing the company chop). Our major non-contractual distributors include trading companies and wholesalers or retailers of automotive beauty and maintenance products, paint and other chemicals, which may also sell our products to their sub-distributors.
- Online retail stores represent sales from customers who purchased through our two online stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com.
- Other OBM customers primarily include trading companies, wholesalers or retailers of automotive beauty and maintenance products, paint, chemicals and hardware and individuals which purchased our OBM products directly from us.
- Others represent the sale of packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools).

Pricing Policy

We adopt a cost-plus pricing policy. The selling prices of our products are generally determined with reference to general economic conditions, raw material costs, production costs, packaging requirements, research and development costs and the amount of individual purchase orders. In the case of OBM products, the unit prices of products are set out in our price list and are therefore predetermined. Our contractual distributors are eligible to participate in our incentive scheme pursuant to which they may purchase products at discounted prices if they can meet our sales targets. For more details of our incentive scheme, please refer to the section headed “Business — Our customers — Our OBM customers — (1) Distributors — (i) Contractual distributors — Management of contractual distributors — Incentive scheme” of this listing document. Other OBM customers are not entitled to participate in our incentive scheme but they may enjoy discounts of our products during our promotional activities. In the case of CMS products, pricing is affected by whether we or our customers are responsible for sourcing of raw materials, and is subject to negotiation with our customers. We generally do not offer any discounts to our CMS customers.

SUMMARY

Our Production Facilities

We have two production facilities in the Conghua district of the Guangdong province, the PRC, that is, the North Jufeng Plant and the Tai Yuan Plant which have a total gross floor area of approximately 26,816.95 sq.m. and approximately 13,653.33 sq.m., respectively. During the Track Record Period, we manufactured most of our products at the North Jufeng Plant. As at the Latest Practicable Date, there were 26 production lines in operation, of which 22 production lines were fully automatic production lines. For the three years ended 31 December 2018, the utilisation rates of our production lines for the production of aerosol products were approximately 83%, 83% and 89%, and the utilisation rates of our production lines for the production of non-aerosol products were approximately 57%, 53% and 59%, respectively.

Raw Materials and Suppliers

Our major raw materials include solvents, aerosol cans (including tinplate and aluminum cans) and packaging materials (such as dip-tubes, valves and paper-boxes) which are predominantly sourced from our PRC suppliers. For the three years ended 31 December 2018, our costs for raw materials were approximately HK\$304.5 million, HK\$324.9 million and HK\$395.5 million, representing approximately 87.7%, 87.6% and 87.3% of our total costs of sales, respectively. Our procurement department procures raw materials with reference to our monthly production plans, production orders on hand and inventory level.

We select our suppliers based on the following criteria: (1) a supplier has obtained all requisite production licences; (2) a supplier's ability to supply a stable source of quality raw materials that meet our stringent standards, its quality management system and whether such system is appropriately accredited; and (3) a supplier's ability to supply raw materials at competitive prices. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not experience any shortage or material delay in the supply of raw materials. Our Directors do not anticipate any material difficulties in the procurement of the raw materials in the foreseeable future. For further information, please refer to the sections headed "Business — Raw materials and procurement" and "Business — Our suppliers" in this listing document.

In addition, our production involves the use and storage of propellant gases (such as dimethyl ether and liquefied petroleum gas) which are flammable and/or explosive and to a certain extent, environmentally hazardous. It is always our top priority to comply with the applicable environmental laws and regulations and avoid the occurrence of any environmental contamination event during our production activities. For more details, please refer to the section headed "Business — Environmental matters" of this listing document.

OUR COMPETITIVE STRENGTHS

Please refer to the section headed "Business — Competitive strengths" in this listing document for details of our competitive strengths, some of the major highlights are set out below:

- We are the market leader in the manufacturing of automotive beauty and maintenance aerosol products in the PRC which is well positioned to benefit from the growth in the PRC automotive beauty and maintenance aerosol product market
- We have stringent quality control standards and outstanding product quality
- Our strong research and development ability
- Our diversified product portfolio
- Our well-established business relationship with our OBM customers
- Our experienced management team

OUR BUSINESS STRATEGIES

Please refer to the section headed "Business — Business strategies" in this listing document for details of our business strategies. Some of the major highlights are set out below:

- We plan to further develop our OBM business by (1) broadening the international markets of our OBM products; (2) continuing to implement our e-commerce strategies; (3) launching a new series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand which, in particular, targets young car owners in the PRC; and (4) further enhancing our brand recognition, particularly among young people in the PRC
- We plan to further expand into the personal care product market in the PRC
- We plan to further enhance our research and development ability

SUMMARY

OUR FINANCIAL DATA

Results of Operations

The below summary combined financial information for the three years ended 31 December 2018 should be read together with the combined financial information in the section headed “Appendix I — Accountants’ Report” in this listing document, including the accompanying notes and the information set forth in the section headed “Financial information” in this listing document. The combined financial information was prepared in accordance with the IFRSs, which comprise all standards and interpretations approved by the IASB.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	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	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	(1,788)	(497)	(2,035)
Profit before tax	92,673	50,376	61,592
Income tax expense	(22,164)	(9,398)	(14,664)
Profit for the year	<u>70,509</u>	<u>40,978</u>	<u>46,928</u>
Profit attributable to :			
- owners of the parent	69,368	39,210	41,686
- non-controlling interests	1,141	1,768	5,242
	<u>70,509</u>	<u>40,978</u>	<u>46,928</u>
	As at 31 December		
	2016	2017	2018
	<i>HK\$' 000</i>	<i>HK\$' 000</i>	<i>HK\$' 000</i>
Current assets	227,464	239,910	253,725
Current liabilities	154,676	130,006	113,233
Net current assets	72,788	109,904	140,492
Total assets	382,519	402,912	420,661
Total liabilities	160,529	131,012	192,225
Total equity	221,990	271,900	228,436

Net Assets

We had net assets of approximately HK\$222.0 million, HK\$271.9 million and HK\$228.4 million as at 31 December 2016, 2017 and 2018, respectively. The fluctuations in balances were primarily the combined effect of our net profits, exchange differences on translation of foreign operations, dividends paid to European Asia Industrial prior to the acquisition of Guangzhou Euro Asia and consideration paid for the acquisition of Guangzhou Euro Asia for the respective years during the Track Record Period. Given the acquisition of Guangzhou Euro Asia was accounted as a business combination under common control and was treated as if it had been completed since the beginning of the Track Record Period under the principles of merger accounting, the cash consideration of HK\$90 million paid for such acquisition in March 2018 was recognised as a debit side of the reserves in our combined statements of changes in equity for the year ended 31 December 2018 with a corresponding credit side recorded against our Group’s cash and cash equivalents, leading to the decrease in our net assets as at 31 December 2018.

For further details, please refer to the sections headed “Financial information — Description of selected combined statements of financial position line items — Net assets” and “Appendix I— Accountants’ Report—Combined statements of changes in equity” in this listing document.

SUMMARY

Summary of Key Financial Ratios

The following table sets forth our Group's key financial ratios for the years indicated below:

	As at 31 December		
	2016	2017	2018
Profitability ratios			
Return on total assets (%)	18.1	9.7	9.9
Return on equity (%)	32.7	14.6	18.9
Liquidity ratios			
Current ratio (times)	1.5	1.8	2.2
Quick ratio (times)	1.2	1.4	1.7
Capital adequacy ratios			
Net debt to equity ratio (%)	Net cash	Net cash	Net cash
Interest coverage (times)	52.8	102.4	31.3
Gearing ratio (%)	10.2	1.3	34.0

Please refer to the section headed “Financial information — Summary of key financial ratios” of this listing document for more details.

DIVIDEND AND BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Before the acquisition of Guangzhou Euro Asia, on 15 December 2017, Guangzhou Euro Asia declared a dividend amounting to HK\$9,535,000 to its then 100% shareholder, European Asia Industrial. The dividend was settled with internal resources as at the Latest Practicable Date. As the companies comprising our Group (including Guangzhou Euro Asia) were under the common control of Mr. Lin, one of our Controlling Shareholders, before and after the Reorganisation, the financial information as set out in Appendix I to this listing document has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. Accordingly, the acquisition of Guangzhou Euro Asia should be treated as if it had been completed and European Asia Industrial had been a 30% minority shareholder of Guangzhou Euro Asia since the beginning of the Track Record Period. As a consequence, our Company considers the dividends as final dividends paid to the minority shareholder. Save as disclosed above, we did not declare any dividend during the Track Record Period.

We may declare dividends in the future after taking into account our results of operations, earnings, our capital requirements and surplus, our general financial condition, contractual restrictions, and other factors as our Directors may deem relevant at such time. Whether we pay a dividend and the amount of such dividend will depend on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions and other factors that our Directors deem relevant. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. We currently do not have a fixed dividend payout ratio.

MAJOR RISK FACTORS

There are certain risks involved in our operations and in connection with the Listing. Many of these risks are beyond our Group's control and can be categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; (iv) risk relating to the International Sanctions; and (v) risks relating to the Spin-off and our Shares. Amongst these risks, we believe the ones that could be comparatively material include the risks set out below:

- We are subject to price fluctuation in raw materials prices and could face shortage in supply of our raw materials
- Our sales could be adversely affected by changes in consumer preferences, perception of the effectiveness of our products, demand for our products, consumer spending and failure to develop, launch and promote new products and enhance our existing products
- Our business relies significantly on the strength of our brands and reputation, as well as the trust and confidence of our consumers

The risks mentioned above are not the only significant risks that may affect our business and results of operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the entire section headed “Risk factors” in this listing document.

SUMMARY

BACKGROUND INFORMATION OF OUR GROUP AND THE REMAINING CHINA ALUMINUM CANS GROUP

Our predecessor, China Aluminum Cans, was founded in 2012 in the Cayman Islands, and its shares have been listed on the Main Board of the Stock Exchange since 12 July 2013 (stock code: 6898).

Our Company was incorporated in the Cayman Islands on 4 May 2018 and became the holding company of our Group upon completion of the Reorganisation.

Upon completion of the Spin-off, there will be clear and distinct delineation of business between our Group and the Remaining China Aluminum Cans Group. The Remaining China Aluminum Cans Group is engaged in the manufacturing and sale of monobloc aluminum aerosol cans which are generally used in the packaging of fast-moving personal care products and pharmaceutical products. On the other hand, we are a leading automotive beauty and maintenance aerosol product manufacturer in the PRC which is engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products, personal care products and other products including household products. During the manufacturing process, we mainly focus on the preparation of concentrate, content filling of the cans and fitting of aerosol cans without engaging in any production and sale of monobloc aluminum aerosol cans.

Please refer to the sections headed “History, reorganisation and corporate structure” and “Relationship with our Controlling Shareholders” for more details of the relationship between our Group and the Remaining China Aluminum Cans Group.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The China Aluminum Cans Board and our Board consider that the Spin-off is in the interests of China Aluminum Cans and our Company and their/our respective shareholders as a whole for the following reasons:

- the operating results and growth potential of our Group are sufficient to warrant a separate listing on the Stock Exchange
- clear delineation between the businesses of the Remaining China Aluminum Cans Group and our Group enables investors to properly appraise and assess the value and performance of our Group independently from the Remaining China Aluminum Cans Group
- the implied value of the business of our Group can be unlocked with a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole prior to the Spin-off
- the Spin-off will facilitate the further development of our Group and provide separate fundraising platforms for the Remaining China Aluminum Cans Group and our Group with respect to their respective operations, future developments and investment opportunities
- China Aluminum Cans will be able to return value to its shareholders in the form of liquid securities which are expected to be traded at a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole prior to the Spin-off
- after the Listing, the respective management teams of our Group and the Remaining China Aluminum Cans Group will be appraised independently based on their performance which helps promote better staff motivation
- the Spin-off will allow the management teams of both our Group and the Remaining China Aluminum Cans Group to focus more effectively on their respective core businesses, streamlining their respective decision-making processes and enhancing responsiveness to market changes

Please refer to the section headed “The Distribution and Spin-off” of this listing document for more details.

SHAREHOLDERS’ INFORMATION

Immediately upon completion of the Spin-off and the Distribution, our Company will cease to be a direct wholly-owned subsidiary of China Aluminum Cans, whereas Mr. Lin and Wellmass (a BVI company wholly-owned by Mr. Lin) will be our Controlling Shareholders. Immediately following completion of the Spin-off and the Distribution and assuming that Mr. Lin’s shareholding in China Aluminum Cans remains unchanged from the Latest Practicable Date to the Distribution Record Date, Mr. Lin will be beneficially interested in approximately 74.52% of our Company of which 45.96% of our Company is legally and beneficially owned by Mr. Lin and 28.56% of our Company is legally and beneficially owned by Wellmass. Accordingly, Mr. Lin and Wellmass will be our Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” for more details.

Our Group has entered into a continuing transaction with a connected person in relation to the purchase of certain monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group that is expected to continue after the Listing, which will constitute a non-exempt continuing connected transaction of our Company under the Listing Rules upon the Listing. We have applied to

SUMMARY

the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with the requirements in respect of the relevant non-exempt continuing connected transaction under Chapter 14A of the Listing Rules. The details of such non-exempt continuing connected transaction and waiver granted are set out in the section headed “Continuing connected transactions” in this listing document.

NON-COMPLIANCE

During the Track Record Period, there were some non-compliance incidents which were related to our failure to obtain certain building ownership certificates in the PRC and the number of our labour dispatch workers exceeding the regulatory threshold of 10% of the total number of our respective workers. Please refer to the section headed “Business — Non-compliance” for more details. Save as disclosed, the operation of our Group was in material compliance with the applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we made direct sales of our aerosol and non-aerosol products to certain customers located in Countries subject to International Sanctions, including Afghanistan, Lebanon, Russia, Iran, Iraq, Yemen and Haiti. We also had a transaction with a Sudanese customer in April 2014. Iran is subject to OFAC’s comprehensive sanctions program under the Iranian Transactions and Sanctions Regulations. Sudan was also subject to comprehensive sanctions until 12 October 2017. During the Track Record Period, our revenue derived from sales to these customers amounted to approximately HK\$5.2 million, HK\$4.9 million, and HK\$2.1 million, representing approximately 1.0%, 0.9% and 0.3% of our total revenue for the three years ended 31 December 2018, respectively. After consulting with our International Sanctions Legal Advisers, in September 2018, we submitted a VSD to OFAC to address our potential violations, given that the U.S. financial system cannot process Iran and Sudan-related payments denominated in U.S. Dollars without prior authorisation by OFAC. As at the Latest Practicable Date, our Directors confirm that we have not been notified that any International Sanctions penalties will be imposed on us for our sales and/or deliveries to Countries subject to International Sanctions. We shall cease our sales to Countries subject to International Sanctions or with Sanctioned Persons prior to the Listing. We have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. For further details, please refer to the sections headed “Risk Factors — Risk relating to the international sanctions — We have previously made sales to customers in Countries subject to International Sanctions administered by the U.S., and we could be adversely affected if these sales result in penalties on our Group” and “Business — Business activities in Countries subject to International Sanctions” in this listing document.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules for the purpose of illustrating the effect of the Listing as if it had taken place on 31 December 2018 and based on the audited combined net tangible assets attributable to equity holders of our Company as at 31 December 2018 as shown in the Accountants’ Report, the text of which is set out in Appendix I to this listing document, and adjusted as described below.

The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not provide a true picture of our financial position of our Group had the Listing been completed as at 31 December 2018 or any future dates.

	Audited combined net tangible assets attributable to equity shareholders of our Company as of 31 December 2018 HK\$’000 Note 1	Estimated expenses relating to the Listing HK\$’000 Note 2	Unaudited pro forma combined net tangible assets attributable to equity shareholders of our Company HK\$’000	Unaudited pro forma adjusted combined net tangible assets per Share HK\$ Note 3
Based on 234,544,750 Shares assumed to be in issue immediately prior to the Listing (Note 3)	220,803	(8,370)	212,433	0.91

SUMMARY

Notes:

- 1 The combined net tangible assets attributable to equity shareholders of our Group as of 31 December 2018 is arrived at after deducting non-controlling interests of HK\$7,633,000 from the audited combined net assets of HK\$228,436,000 as of 31 December 2018, as shown in the Accountants' Report, the text of which is set out in Appendix I to this listing document.
- 2 The amount represents estimated expenses relating to the Listing expected to be incurred by our Group subsequent to 31 December 2018 which mainly include professional fees for the Sole Sponsor, our Company's legal advisers and reporting accountants and other listing related expenses.
- 3 The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments as described in note 2 above and is based on 234,544,750 Shares assumed to be in issue immediately prior to the Listing. No account has been taken of any Shares which may be allotted and issued pursuant to the exercise of any options that have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme and of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and the Repurchase Mandate, and of any outstanding options granted pursuant to share option scheme of China Aluminum Cans adopted on 20 June 2013 and convertible rights attached to outstanding convertible bonds of China Aluminum Cans held by certain shareholders.
- 4 No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2018.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of approximately HK\$10.6 million for the Listing. We expect listing expenses to be approximately HK\$26.1 million by the completion of the Spin-off and the Listing, of which approximately HK\$5.4 million was borne by China Aluminum Cans and approximately HK\$10.1 million will be charged to our consolidated statement of comprehensive income for the year ending 31 December 2019.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this listing document, except as described below, our Directors confirmed that there were no material changes to our business model, revenue structure and cost structure. Our principal business remained to be design, development, manufacture and sale of a wide range of automotive beauty and maintenance products as well as personal care products and other products including household products.

Our Directors confirm that, although the trade war between the United States and the PRC did not have a material adverse impact on the selling prices of our products for the year ended 31 December 2018, our major customer in the United States (the "U.S. Customer"), which primarily purchased our personal care products during the Track Record Period, did not place any sales order with us during the period from January 2019 to March 2019. Our secured orders received from the U.S. Customer, which were or are expected to be recognised as revenue, after March 2019 and up to the Latest Practicable Date amounted to approximately HK\$1.0 million, of which approximately HK\$0.4 million had been recognised as revenue as at the Latest Practicable Date. For the three years ended 31 December 2018, our revenue generated from the U.S. Customer amounted to approximately HK\$26.2 million, HK\$20.8 million and HK\$59.2 million, accounting for approximately 5.0%, 4.0% and 9.7% of our total revenue, respectively. As at the Latest Practicable Date, it was still uncertain whether the U.S. Customer would continue to place orders with us, and the parties intended to negotiate this further in due course. Since 1 January 2019 and up to the Latest Practicable Date, our secured orders received from our CMS customers, which were or are expected to be recognised as revenue, amounted to approximately HK\$118.5 million. For details, please refer to the section headed "Business — Our customers — Our CMS customers" in this listing document.

Prospective investors should note that based on information available as at the Latest Practicable Date, the financial performance of our Group for the year ending 31 December 2019 is expected to be materially and adversely affected by (i) the non-recurring expenses in relation to the Spin-off and the Listing; (ii) the share option expenses arising from the grant of the Pre-IPO Share Options under the Pre-IPO Share Option Scheme; (iii) the possible decrease in the gross profit of our Group primarily resulting from the fluctuation in our costs of purchase of raw materials (including solvents and packaging materials); and (iv) the decrease in sales orders from the U.S. Customer as mentioned above. Prospective investors are specifically warned that given the aforesaid, our Group's financial performance for the year ending 31 December 2019 may not be comparable to those of the previous financial years.

Our Directors confirmed that up to the date of this listing document, save as disclosed above, there has been no material adverse change in our financial or trading position or prospects since 31 December 2018 and there has been no event since 31 December 2018 which would materially affect the information in our combined financial statements included in the Accountants' Report set forth in Appendix I to this listing document, in each case except as otherwise disclosed herein.

DEFINITIONS

In this listing document, the following expressions and terms shall have the meanings set out below unless the context otherwise requires. Certain terms are explained in the section headed “Glossary of Technical Terms” in this listing document.

“Accountants’ Report”	the accountants’ report set out in Appendix I in this listing document
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 27 May 2019 and effective on the Listing Date, as amended or supplemented from time to time, a summary of which is set out in the section headed “Appendix IV — Summary of the constitution of our Company and Cayman Islands company law” in this listing document
“Beneficial China Aluminum Cans Shareholder(s)”	beneficial owner(s) of China Aluminum Cans Shares whose China Aluminum Cans Shares are registered in the name of a Registered China Aluminum Cans Shareholder
“Board” or “Board of Directors”	the board of Directors
“Botny”	Botny Corporation Limited (保賜利有限公司), formerly known as Nice Grace Corporation Limited (佳彩興業有限公司), a company incorporated in Hong Kong with limited liability on 3 June 2013 and is wholly-owned by Topspan as at the Latest Practicable Date
“Botny HK”	Botny Hongkong Co., Limited (保賜利香港有限公司), a company incorporated in Hong Kong with limited liability on 9 June 2010 and is wholly-owned by Guangzhou Botny as at the Latest Practicable Date
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation

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“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board
“China Aluminum Cans”	China Aluminum Cans Holdings Limited (中國鋁罐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 September 2012, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6898)
“China Aluminum Cans Board”	the board of directors of China Aluminum Cans
“China Aluminum Cans Group”	China Aluminum Cans and its subsidiaries prior to completion of the Spin-off, which includes our Group
“China Aluminum Cans Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of China Aluminum Cans
“China Aluminum Cans Shareholder(s)”	holder(s) of China Aluminum Cans Share(s)
“China Aluminum Cans Share Options”	the outstanding pre-IPO share options as at the Latest Practicable Date to subscribe for 800,000 China Aluminum Cans Shares granted by China Aluminum Cans under the pre-IPO share option scheme conditionally adopted by China Aluminum Cans on 20 June 2013
“China Medical Beauty”	China Medical Beauty Bio-Technology Company Limited (中國醫美生物科技有限公司), a company incorporated in Hong Kong with limited liability on 14 November 2017 and is wholly-owned by Super Sight as at the Latest Practicable Date
“China Packaging Federation”	China Packaging Federation* (中國包裝聯合會) (formerly known as China Packaging Technology Association* (中國包裝技術協會)) is a national packaging organisation under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. It was founded in 1980 with the approval of the State Council of the PRC and focuses on implementing relevant governmental policies relating to the PRC packaging industry

DEFINITIONS

“CIC”	China Insights Industry Consultancy Limited
“CIC Report”	the industry report prepared by CIC as commissioned by our Group
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Precious Dragon Technology Holdings Limited (保寶龍科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2018
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	shall have the meaning given to it under the Listing Rules and under the context otherwise requires, refers to Mr. Lin and Wellmass
“Convertible Notes”	the outstanding convertible note in the principal amount of HK\$271,825,440 issued by China Aluminum Cans on 8 July 2015, which is convertible into 251,690,222 China Aluminum Cans Shares as at the Latest Practicable Date
“Countries subject to International Sanctions”	countries regarding which governments such as the U.S. or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
“Deed of Non-competition”	the deed of non-competition dated 27 May 2019 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), details of which are set out in the section headed “Relationship with our Controlling Shareholders — Background of our Controlling Shareholders” in this listing document

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 27 May 2019 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “Appendix V — Statutory and general information — G. Other information — 1. Tax and other indemnities” in this listing document
“Director(s)”	the director(s) of our Company
“Distribution”	the conditional special interim dividend expected to be declared by the China Aluminum Cans Board on 29 May 2019 to be satisfied by way of the distribution in specie of such number of Shares held by China Aluminum Cans to, inter alia, the Qualifying China Aluminum Cans Shareholders, in the proportion of one Share for every four China Aluminum Cans Shares held by them on the Distribution Record Date, further details of which are set out in the section headed “The Distribution and Spin-off” in this listing document
“Distribution Record Date”	the record date for determining entitlements to the Distribution, being Friday, 14 June 2019
“EIT”	enterprise income tax
“European Asia Industrial”	European Asia Industrial Limited, a company incorporated under the laws of Hong Kong with limited liability on 23 July 1999 and is wholly-owned by Mr. Lin as at the Latest Practicable Date
“Euro Asia Investments”	Euro Asia Investments Global Limited, a company incorporated in the BVI with limited liability on 3 October 2012 and is wholly-owned by China Aluminum Cans as at the Latest Practicable Date
“Euro Asia Japan”	Euro Asia Japan Company Limited, a company incorporated in Japan with limited liability on 6 January 2016 and is wholly-owned by Botny HK as at the Latest Practicable Date
“Euro Asia Packaging”	Euro Asia Packaging (Guangdong) Co., Limited* (廣東歐亞包裝股份有限公司) (formerly known as “Euro Asia Packaging (Zhongshan) Co., Ltd.* (歐亞包裝(中山)有限公司)” and “Euro Asia Tech-Aluminum (Guangdong) Co., Limited* (廣東歐亞科技鋁業股份有限公司)”), a company established in the PRC on 27 June 2002 and is owned as to 98.623% by Hong Kong Aluminum Cans and as to 1.377% by an Independent Third Party as at the Latest Practicable Date

DEFINITIONS

“Excluded China Aluminum Cans Shareholder(s)”	the Overseas China Aluminum Cans Shareholder(s) with registered address(es) in an Excluded Jurisdiction, and China Aluminum Cans Shareholders or Beneficial China Aluminum Cans Shareholders who are otherwise known by China Aluminum Cans to be residents of, or located in, jurisdictions outside Hong Kong as at the Distribution Record Date, whom the China Aluminum Cans Board and our Board, after making relevant enquiries and based on the legal advice provided by their legal advisers, consider it necessary or expedient to exclude from receiving Shares pursuant to the Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where they are located or resident in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions
“Excluded Jurisdiction(s)”	those jurisdiction(s) outside Hong Kong in respect of which the China Aluminum Cans Board and our Board have determined, after making relevant enquiries and based on the legal advice received, that it is necessary or expedient not to issue Shares pursuant to the Distribution, on account of either the legal restrictions under the applicable laws of such jurisdiction(s) and/or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction(s). As at the Latest Practicable Date, there is no Excluded Jurisdiction
“FY” or “financial year”	financial year of our Company ended or ending 31 December
“GDP”	gross domestic product
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries
“Guangzhou Botny”	Guangzhou Botny Chemical Co., Ltd.* (廣州保賜利化工有限公司), a company established in the PRC with limited liability on 30 August 2000 and is wholly-owned by Botny as at the Latest Practicable Date
“Guangzhou Chaoli”	Guangzhou Chaoli Insulation Coating Company Limited* (廣州超利隔熱塗料有限公司), a company established under the laws of the PRC with limited liability on 18 July 2014 and was deregistered on 5 July 2016

DEFINITIONS

“Guangzhou Euro Asia”	Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited* (廣州歐亞氣霧劑與日化用品製造有限公司), a company established in the PRC with limited liability on 17 April 2006 and is owned as to 70% by China Medical Beauty and 30% by European Asia Industrial as at the Latest Practicable Date
“Guangzhou Shentian”	Guangzhou Shentian Woye Trading Company Limited* (廣州深田沃業貿易有限公司), a company established in the PRC with limited liability on 5 May 2014 and is wholly-owned by Guangzhou Botny as at the Latest Practicable Date
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “Hong Kong Dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Aluminum Cans”	Hong Kong Aluminum Cans Limited, a company incorporated in Hong Kong with limited liability on 6 September 2012 and is wholly-owned by Euro Asia Investments as at the Latest Practicable Date
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party”	an individual or a company who is not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders of our Company, its subsidiaries or any of their respective associates
“Internal Control Consultant”	the internal control consultant who was commissioned by our Group to review our internal control system
“International Sanctions”	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, United Nations or the Government of Australia

DEFINITIONS

“International Sanctions Legal Advisers”	Hogan Lovells, our legal advisers as to International Sanctions laws in connection with the Listing
“Issue Mandate”	the general unconditional mandate granted to our Directors relating to the issue of new Shares, details of which are set out in the section headed “Appendix V — Statutory and general information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder” in this listing document
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	24 May 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this listing document prior to its publication
“Listing”	the listing by way of introduction of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Date”	the date expected to be on Friday, 21 June 2019, on which our Shares are first listed and from which dealings in our Shares are permitted to take place on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“M&A Rules”	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) which became effective in September 2006 and re-issued in June 2009
“Main Board”	the Main Board of the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 17 April 2019 (as amended and supplemented by a supplemented agreement dated 7 May 2019) entered into between Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and our Company (for itself and on behalf of its subsidiaries) in relation to the purchase of certain monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group by our Group upon Listing
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 27 May 2019 and effective on the Listing Date, as amended or supplemented from time to time
“MOFCOM”	the PRC Ministry of Commerce (中華人民共和國商務部)

DEFINITIONS

“Mr. Alex Lin”	Mr. Lin Hing Lung, an executive Director, the son of Mr. Lin and Mrs. Lin and the brother of Ms. Flora Lin
“Mr. Lin”	Mr. Lin Wan Tsang, an executive director, the chairman of China Aluminum Cans Board, the husband of Mrs. Lin and the father of Mr. Alex Lin and Ms. Flora Lin
“Mr. Yang”	Mr. Yang Xiaoye, an executive Director
“Mrs. Lin”	Ms. Ko Sau Mee, an executive Director, our Chairman and the chief executive officer of our Company, the wife of Mr. Lin and the mother of Mr. Alex Lin and Ms. Flora Lin
“Ms. Flora Lin”	Ms. Lin Hing Lei, an executive Director, the daughter of Mr. Lin and Mrs. Lin and the sister of Mr. Alex Lin
“North Jufeng Land”	a parcel of land situated at No. 628 Jufeng North Road, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市從化區鰲頭鎮聚豐北路628號) with a total site area of approximately 66,047.00 sq.m.
“North Jufeng Plant”	the production facilities of our Group constructed on the North Jufeng Land
“NPC”	The National People’s Congress of the PRC
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Overseas China Aluminum Cans Shareholder(s)”	China Aluminum Cans Shareholder(s) whose address(es), as shown on the register of members of China Aluminum Cans on the Distribution Record Date, is or are in jurisdiction(s) outside Hong Kong
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this listing document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, unless otherwise specified
“PRC Legal Advisers”	China Commercial Law Firm
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company on 18 March 2019, the principal terms of which are summarised in the section headed “Appendix V — Statutory and general information — E. Pre-IPO Share Option Scheme” in this listing document

DEFINITIONS

“Pre-IPO Share Options”	the share options to subscribe for an aggregate of 7,765,000 Shares granted under the Pre-IPO Share Option Scheme
“Qualifying China Aluminum Cans Shareholder(s)”	China Aluminum Cans Shareholder(s) whose name(s) appear on the register of members of China Aluminum Cans on the Distribution Record Date, but excluding the Excluded China Aluminum Cans Shareholder(s)
“Registered China Aluminum Cans Shareholder(s)”	in respect of a Beneficial China Aluminum Cans Shareholder, any nominee, trustee, depositary or any other authorised custodian or third party whose name is entered in the register of members of China Aluminum Cans as the holder of the China Aluminum Cans Shares in which the Beneficial China Aluminum Cans Shareholder is beneficially interested
“Relevant Persons”	the Sole Sponsor, any of its, our Company’s or China Aluminum Cans’ respective directors, officers or representatives or any other person involved in the Listing
“Remaining China Aluminum Cans Group”	China Aluminum Cans and its subsidiaries upon completion of the Spin-off, which excludes our Group
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as set out in the section headed “History, reorganisation and corporate structure” in this listing document, pursuant to which our Company became the holding company of various subsidiaries
“Repurchase Mandate”	the general unconditional mandate granted to our Directors relating to the repurchase of Shares, details of which are set out in the paragraph headed “Appendix V — Statutory and general information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder” in this listing document
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAFE Circular No. 37”	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)(匯發[2014]37號), effective on 4 July 2014

DEFINITIONS

“SAFE Circular No. 75”	the Notice of SAFE on Issues relating to Foreign Exchange Control on Fund Raising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments* (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知)(匯發[2005]75號), effective on 21 October 2005
“Sanctioned Person(s)”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., European Union, United Nations or Australia
“SAT”	State Administration of Taxation of the PRC
“SDN List”	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 18 March 2019, the principal terms of which are summarised under the section headed “Appendix V — Statutory and general information — F. Share Option Scheme” in this listing document
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of our Company with a nominal value of HK\$0.01 each
“Sole Sponsor”	China Tonghai Capital Limited, which is licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Spin-off”	the spin-off of our Company by way of the Distribution and the separate listing of our Shares on the Main Board by way of introduction
“sq.m”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Super Sight”	Super Sight International Investment Limited, a company incorporated in the BVI with limited liability on 1 November 2017 and is wholly-owned by Topspan as at the Latest Practicable Date
“Tai Yuan Plant”	the production facilities of our Group constructed on the land situated at Nos. 11-12 Tai Yuan Road, Conghua Economic Technology Development Zone, Conghua District, Guangdong Province, the PRC (中國廣東省廣州市從化區經濟技術開發區太源路11-12號)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Topspan”	Topspan Holdings Limited, a company incorporated in the BVI with limited liability on 3 July 2012 and is wholly-owned by our Company upon completion of the Reorganisation
“Track Record Period”	the period comprising the three years ended 31 December 2018; and the phrase “during the Track Record Period”, followed by a series of figures or percentages, refers to information relating to the three years ended 31 December 2018
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “USD”	United States Dollars, the lawful currency of United States of America
“VSD”	voluntary self-disclosure, a statement provided by our Company to the U.S. Department of the Treasury relating to our Company’s prior business transactions involving customers located in Countries subject to International Sanctions
“Wellmass”	Wellmass International Limited, a company incorporated in the BVI with limited liability on 18 July 2012 and is wholly-owned by Mr. Lin as at the Latest Practicable Date
“Xihucun Land”	a parcel of land situated at Xinhu Village, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市從化區鰲頭鎮西湖村地段) with a total site area of approximately 63,623.00 sq.m

DEFINITIONS

In this listing document, unless expressly stated or the context requires otherwise:

- *all data in this listing document is as at the date of this listing document.*
- *certain amounts set out in this listing document have been rounded. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.*
- *for your ease of reference, this listing document contains translations of certain RMB into Hong Kong Dollars or RMB into US\$ at specified rates. Such conversions shall not be construed as representations that amounts in RMB or US\$ were or may have been converted into HK\$ and vice versa at such rates or any other exchanges rates.*
- *for ease of reference, the names of the PRC established companies or entities have been included in this listing document in both Chinese and English language. The name in Chinese language is the official name of each such company or entity, while that in English language is only an unofficial translation, and in the event of any inconsistency, the Chinese terms shall prevail.*
- *for ease of reference, certain terms relating to laws or regulations in the PRC have been included in this listing document in both the Chinese and English languages and in the event of any inconsistency between the Chinese terms mentioned in this listing document and their English translation, the Chinese terms shall prevail.*

* *For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this listing document in connection with our Group and our business. Some of these definitions may not correspond to standard industry definitions.

“4S”	Sale, Sparepart, Service and Survey, and authorised car dealership are commonly known as 4S car shops in the PRC
“aerosol product”	a product principally comprising the content (as defined hereunder) kept in an air-tight aerosol which is fitted with a valve; when the product is being used, under the pressure created by the propellant, the content will be sprayed out in the form of a mist, foams, powders or micelles
“CMS”	acronym for contract manufacturing service, under which the manufacturer manufactures products which are marketed and sold under the customer’s own brand names; depending on the circumstances, the manufacturer may also be responsible for designing the products in accordance with the customer’s requirements or specifications
“concentrates”	the part of the content excluding the propellant
“content”	the substance filled in an aerosol can, including the concentrates and the propellant
“crimp”	the process of fitting the valve to the aerosol can
“ISO”	the International Organisation for Standardisation, world-wide federation of national standard bodies
“ISO 9001”	a set of standards and guidelines relating to quality management systems and maintained by ISO, representing an international consensus on good quality management practices
“OBM”	acronym for original brand manufacturing under which the manufacturer develops and owns the design of products which are sold under such manufacturer’s own or licensed brand names
“ODM”	acronym for original design manufacturing, a third party manufacturer who develops a design on its own account which it owns and then supplies to a seller who sells it under the seller’s brand name
“OEM”	acronym for original equipment manufacturing, a third party manufacturer who manufactures either sub-assemblies or entire items to be sold by a seller, usually under the seller’s brand name
“VOCs”	volatile organic compounds, an organic substance which can be vaporised by small changes in temperature or pressure

FORWARD-LOOKING STATEMENTS

This listing document contains forward-looking statements that state our Company's belief, expectations, or intentions for the future. These forward-looking statements reflect the current view of our Company with respect to future events and are, by their nature, subject to significant risks, assumptions and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changing consumer preferences, demand, income and spending patterns;
- the strength of our brands and reputation, as well as the trust and confidence of our consumers;
- fluctuation in raw material prices;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

The words "aim", "anticipate", "believe", "consider", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "project", "propose", "seek", "shall", "should", "will", "would" and similar expressions, as they relate to our Group or our management, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting the views of our management with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this listing document. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of the Listing Rules and applicable laws, our Group does not have any obligation nor does our Group intend to publicly update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this listing document are qualified by reference to this cautionary statement.

In this listing document, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this listing document. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should consider carefully all the information set out in this listing document and, in particular, the risks and uncertainties described below before making an investment in our Shares. The occurrence of any of the following events could harm our Group and our Group's business or financial condition, or results of our operations could be materially and adversely affected by any of these risks. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment.

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; (iv) risk relating to the International Sanctions; and (v) risks relating to the Spin-off and our Shares.

RISKS RELATING TO OUR BUSINESS

We are subject to price fluctuation in raw materials prices and could face shortage in supply of our raw materials

Our raw materials mainly consist of the ingredients for our products as well as packaging materials. Our raw material costs accounted for approximately 87.7%, 87.6% and 87.3% of our total cost of sales for the three years ended 31 December 2018, respectively. Our major raw materials include solvents, aerosol cans (including tinplate and aluminum cans) and packaging materials (such as dip-tubes, valves and paper-boxes). In particular, depending on the market supply and demand conditions, the prices of our raw materials fluctuate and are materially influenced by the economic growth in the PRC and the price of global crude oil, which is beyond our control. A significant volatility in the price levels of our raw materials could increase our operating costs and adversely affect our profit margin.

We have not hedged against changes in commodity prices, and we do not intend to enter into such hedges in the future. We expect that our raw materials prices will continue to fluctuate and be affected by the factors stated above in the future. As such, an increase in the prices of our raw materials, inability to pass on or delay in passing on any increase in our costs of raw materials to our consumers or inability to identify and source from alternative suppliers may have a significant impact on our profit margin and our profitability.

Save for the Master Supply Agreement entered into after the Track Record Period, details of which are set out in the section headed "Continuing connected transactions — Non-exempt continuing connected transaction — Master Supply Agreement" in this listing document, we do not have long-term contractual arrangements with our suppliers. If all or a significant number of our suppliers for any particular raw material and/or packaging material are unable or unwilling to meet our production requirements, or if we are unable to obtain raw materials in quantities and of the quality we require at commercially reasonable prices, our production volume, product quality or profitability may deteriorate and we could suffer shortages or significant cost increases which in turn may have a material adverse impact on our business, financial condition and results of operations.

RISK FACTORS

Our sales could be adversely affected by changes in consumer preferences, perception of the effectiveness of our products, demand for our products, consumer spending and failure to develop, launch and promote new products and enhance our existing products

We gauge consumer preferences and industry trends by obtaining customers' feedback on our products and collecting market intelligence such as information about competing products from time to time. Our business depends substantially on our ability to identify market trends and continuously adapt our brand perception and product portfolio to changes in consumer preferences and tastes, consumer income and consumer spending patterns. Our future success will depend on our ability to anticipate, identify or adapt to such changes, and our ability to continue to introduce new products or upgrade our existing products in response to such perceived market trends and customers' requests. We cannot predict nor guarantee the success and profitability of our new products which we may seek to introduce. As part of our business strategies, we plan to continue our efforts in broadening the international markets of our OBM products and further enhancing our brand recognition, in particular, among young people in the PRC. Please refer to the section headed "Business — Our products — New products launched in 2018" in this listing document for more details of our new products. We also plan to further expand into the personal care product market in the PRC. There is no assurance that we would succeed in identifying and adapting to consumer preferences. In addition, we may not be able to react in a timely and cost-effective manner by adjusting the production schedule of our products that are experiencing declining consumption. There is no assurance that we can successfully adopt business strategies to weather the impact of any drop in consumer spending or demand in the event of continuous economic downturn.

Besides, since different product types have different levels of demand and selling prices, our revenue and profit margins depend on changes in our product offerings. For the three years ended 31 December 2018, (i) sale of our automotive beauty and maintenance products had gross profit margins of approximately 35.6%, 29.1% and 25.1% and accounted for approximately 90.4%, 86.7% and 78.6% of our revenue; (ii) sale of our personal care products had gross profit margins of approximately 19.7%, 24.3% and 28.8% and accounted for approximately 8.4%, 11.4% and 20.6% of our revenue; and (iii) sale of our other products (including household products such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools had gross profit margins of approximately 22.0%, 24.4% and 12.9% and accounted for approximately 1.2%, 1.9% and 0.8% of our revenue, respectively. There is no assurance that we would succeed in maintaining our customers' demand for or preference on our products. If we are unable to price our products at reasonable gross profit margins, or if our customers' demand for our products decreases, our results of operations may be materially and adversely affected.

Our business relies significantly on the strength of our brands and reputation, as well as the trust and confidence of our consumers

We rely significantly on the strength of our brands and reputation in order to generate consumer demand for our products. In particular, OBM products sold under our BOTNY (保賜利) brand accounted for approximately 44.3%, 47.7% and 42.8% of our revenue, respectively, during the Track Record Period. Our brands and reputation can be damaged by product defects, safety and health issues (including product recalls), counterfeit products, ineffective customer service, product liability claims, consumer complaints, allegations or rumours, or negative publicity or results which may erode our reputation and consumer acceptance of our brands. Additionally, our brands and reputation may

RISK FACTORS

be damaged by other actions of third parties over whom we have no or limited control, including our customers and suppliers as well as other industry participants entirely unrelated to us. In the event that our brands or reputation are damaged or our customers lose their trust and confidence in us, we may suffer a loss of revenue or market share, which could materially and adversely affect our business, financial condition and results of operations.

We face intense competition from our competitors in the automotive beauty and maintenance product industry in the PRC

According to the CIC Report, the manufacturing of aerosol products used in the automotive beauty and maintenance market is relatively concentrated, with the leading five companies accounting for approximately 35.7% of the total market in terms of sales revenue in 2018. Notwithstanding, a high degree of product homogeneity has exacerbated the market competition in terms of pricing. Since aerosol products used in the automotive beauty and maintenance market tend to have similar product packaging and similarities in their functionality, market participants usually compete in terms of pricing, which ultimately intensifies competition among manufacturers and puts further pressure on the growth of existing companies in the market. Some of our competitors may have substantially greater financial resources, product development capabilities or better brand recognition than we have. They may leverage on their financial strength to improve their production and marketing capabilities, diversify their product portfolio, develop effective substitutes for our products, locate their production facilities in strategic locations and recruit experienced management personnel. We cannot assure you that we will be able to react to and match the business development of our competitors in a timely manner or at all. We also cannot assure you that our competitors will not actively engage in activities designed to undermine our brands and product quality or to influence consumer confidence in our products. In addition, new competitors may seek to enter or expand into our industry. If we are unable to compete effectively with our competitors or if we fail to remain competitive, it could materially and adversely affect our business, financial condition and results of operations.

We rely on our third-party distributors to sell and distribute our OBM products

We rely on third-party distributors to sell and distribute our OBM products. During the Track Record Period, sales to our distributors (including contractual and non-contractual distributors) accounted for approximately 93.6%, 93.0% and 90.6% of our total OBM sales, respectively. Accordingly, our sales volumes depend on the performance of our distributors in marketing our OBM products. However, the effectiveness of our distributors in selling and distributing our OBM products may be affected by a number of factors, many of which are out of our control, including:

- our distributors maintaining relationships with their sub-distributors and other wholesalers and retailers;
- our distributors' strategies in promoting our OBM products;
- our distributors' own financial performance;

RISK FACTORS

- our distributors' willingness to maintain relationships with us; and
- our ability to maintain and expand our distribution network.

In the event our distributors fail to effectively sell and distribute our OBM products, it could result in a significant decrease in our sales volume, which may materially and adversely affect our business, financial condition and results of operations.

We generally do not enter into long-term arrangements with our distributors and CMS customers and we may fail to maintain these relationships or develop new ones

We generally enter into distribution agreements with our contractual distributors for a one-year term. These agreements include a range of terms including the designated distribution area, sales target and incentive scheme by way of product discounts. For efficiency and consistency in our management of contractual distributors, we adopt a standardised distribution agreement. We may not be able to enter into new or renewal agreements with our contractual distributors as they may choose to enter into arrangements with our competitors who may offer them access to a diversified product portfolio or more favourable economic terms, including more attractive discounts and credit periods. The loss of our contractual distributors could adversely affect our sales volume. There is no assurance that our current or future contracts with our contractual distributors can be renewed or negotiated on terms and prices equivalent to or better than current terms and prices. Furthermore, during the Track Record Period, we derived substantial revenue from our OBM sales through our non-contractual distributors with which we did not enter into distribution agreements. Any disruption in our relationships with our distributors (both contractual and non-contractual distributors) could affect our ability to maintain and grow our sales volume, which could materially and adversely affect our business, results of operations and financial position. In addition, there can be no assurance that we will be able to develop new relationships with additional distributors (both contractual and non-contractual distributors) or maintain or increase collaboration with our existing distributors or that our incentives provided to our distributors will be effective in generating more sales for us. We are also exposed to the risk that distributors may seek to impose unfavourable terms on us in the future, such as longer credit periods. Credit arrangement with our distributors adds pressure on our working capital and exposes us to the risks of default and bad debts.

In addition, we generally do not enter into long-term agreements with our CMS customers. As a result, if our CMS customers decide not to place any purchase order to us or insist on any new term for purchase of our products which are not acceptable to us, our sales may decline if we are unable to find alternative customers in a timely manner. In such event, our business, financial condition, results of operations and growth prospects may be adversely affected.

We have limited control over the practice and manner of sales of our distributors (both contractual and non-contractual) and their sub-distributors, other outlets and other customers

Despite having in place our monitoring and management system, due to the large number of our distributors and size of the market, it is difficult to monitor all aspects of our distributors' practices thoroughly and substantively. Our distribution agreements with our contractual distributors generally allow us to unilaterally terminate the agreements in the event of a material breach by our contractual distributors. Even though we have direct contractual relationships with our contractual distributors,

RISK FACTORS

we cannot assure you that our contractual distributors will at all times strictly adhere to the terms and conditions of our distribution agreements. For example, our contractual distributors may sell beyond their designated distribution areas. In the event that our contractual distributors breach the distribution agreements, there is no assurance that we will be able to obtain an adequate amount of compensation in a timely manner.

For our non-contractual distributors, we do not enter into distribution agreement with them. As such, we can only rely on a series of measures in managing the performance of our non-contractual distributors, such as random check of the performance of our non-contractual distributors by our sales personnel through physical visits. In the event that our products are distributed outside the regions as agreed with us, it may result in potential competition with other non-contractual distributors and our business, financial condition and results of operations could be adversely affected.

As we do not have any contractual relationships with nor direct control over the sub-distributors, other outlets (including supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers and online retailers) or other customers of our distributors, we rely on our distributors to manage their sub-distributors, other outlets and other customers. However, we have no recourse against our distributors for non-compliance or improper business practice of their sub-distributors, other outlets or other customers. Moreover, our distributors may fail to enforce the terms of our distribution agreements and/or our pricing policy through their sub-distributors, other outlets and other customers. For example, under our distribution agreements, (i) distributors are required to set their sales strategies in consultation with us; (ii) we are entitled to require distributors to provide us with monthly sales and inventory data and other information including the names of their customers and re-sell prices from time to time; and (iii) we also have the right to inspect and examine the sales records of our distributors. Breach of such terms by our distributors due to failure on their part to manage their sub-distributors, other outlets or other customers would defeat our intended business purposes. In addition, if our distributors, their sub-distributors, other outlets or other customers engage in improper business practice, it would damage our brands and reputation and cause negative impact on consumer perception of our products. All these factors may adversely affect our business, financial condition and results of operations.

Our measures implemented to minimise the risk of cannibalisation among us and our distributors and/or among our distributors within the same sales channel and/or among different sales channels may not be effective

We are unable to prevent our potential end-customers from opting one distributor or one sales channel over another for personal, technological, geographical or economic reasons. We have implemented various measures to minimise the risk of cannibalisation among us and our distributors and/or among our distributors within the same sales channel and/or among different sales channels. For further details, please refer to the section headed “Business — Our customers — Our OBM customers — (1) Distributors — Measures to avoid cannibalisation” in this listing document. If these measures are ineffective, channel stuffing and cannibalisation among us and our distributors (both contractual and non-contractual and/or among our distributors within the same channel and/or among different sale channels may adversely affect the performance of our distributors and therefore our results of operations.

RISK FACTORS

Our customers may delay and/or default in their payments to us

For the three years ended 31 December 2018, we impaired trade receivables in the amounts of approximately HK\$0.5 million, HK\$1.0 million and HK\$0.8 million, respectively. Our trade receivables are mainly related to the balances of our CMS customers which accounted for approximately 72.3%, 72.5% and 65.9% of our total trade receivables as at 31 December 2016 and 2017 and 2018, respectively. As at the Latest Practicable Date, we received approximately 82.1% of our trade and bills receivables as at 31 December 2018.

There is no assurance that our customers meet their payment obligations on time or in full, or that our trade receivables turnover days will not increase. The insolvency of our customers or otherwise inability to pay us on time may adversely affect our business, financial condition and results of operations.

We manufacture our OBM products on a made-to-stock basis with reference to our sales forecast, which may not be accurate

We manufacture our OBM products on a made-to-stock basis, that is, we manufacture before our OBM customers place orders with us, with reference to our sales forecast prepared based on our understanding of historical sales and perceived market trends. For details, please refer to the section headed “Business — Inventory control” in this listing document. If our sales forecast turns out to be inaccurate and our OBM customers do not place orders with us in the volumes expected by us, our OBM products produced may not be absorbed by other customers and our business, results of operations and financial condition may be adversely affected.

Transfer pricing risk

We adopted transfer pricing arrangement among our Group companies in Hong Kong, Japan and the PRC to regulate intra-group trades. For details, please refer to the section headed “Business — Legal compliance — Transfer pricing” in this listing document. Our tax position may be subject to review and possible challenge by the relevant government authorities and any possible change or challenge in laws.

In the event that our tax position is subject to review and possible challenge by the relevant tax authorities or there is a change in the tax policy and relevant tax laws in Hong Kong, Japan and/or the PRC, it may adversely affect our financial position and results of operations. In preparing our financial information, our Directors have reviewed and assessed our transfer pricing risk as it is possible that the tax authorities may challenge our transfer pricing policy, although our Directors believe that we have grounds to defend against such possible challenge. However, there can be no assurance that we will not be found to be operating in breach of the relevant transfer pricing-related laws, or that such laws will not be modified, which, as a result, may require changes to our transfer pricing practice or operating procedures. Any determination of income reallocation or modifications of the relevant transfer pricing-related laws could result in an income tax assessment and other relevant charges on the portion of income deemed to be derived from the taxing jurisdiction that so reallocates the income or modifies its relevant transfer pricing-related laws.

RISK FACTORS

Our business may be adversely affected by poor handling and delays in delivery by our third party logistics service providers

We rely on third party logistics services providers to provide transportation services for the distribution of our products to our customers. Delivery disruptions may occur for various reasons many of which are beyond our control, including natural disasters, extreme weather, labour strikes and traffic conditions. In addition, poor handling by the logistics services providers could also cause damage to our products. If our products are not delivered to our customers on time, or are delivered damaged, even though the third party logistics providers are responsible for the risks associated with delivery according to our agreements with them, we may have to pay compensation to our customers. Poor handling and delays in delivery may adversely affect our reputation and cause losses to our customers, which in turn may materially and adversely affect our business, financial condition and results of operations.

Our financial performance might vary due to factors that are beyond our control

Our profit attributable to equity holders of our Company increased by approximately 20.1% for the year ended 31 December 2016, decreased by approximately 43.5% for the year ended 31 December 2017 and increased by approximately 6.3% for the year ended 31 December 2018, as compared to the previous year. Please refer to the section headed “Financial information — Description and analysis of principal components in the combined statements of profit or loss and other comprehensive income” in this listing document for further details. Our revenue, expenses and financial results may vary from period to period in response to a variety of factors, such as developments in the macroeconomic and regulatory environment, changing competitive dynamics, fluctuation in raw material prices, as well as evolving consumers’ preference, many of which are beyond our control. If we are unsuccessful in addressing any of these risks and uncertainties, our business and our ability to achieve profitability may be materially and adversely affected. Accordingly, our results of operations and financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Shares to decline.

Some of our properties in the PRC are subject to risks arisen from defective titles and we may be required to demolish such structures or pay fines

As at the Latest Practicable Date, five structures (including a research and development centre, a switch-board room, a security guard room, a tennis court and a boiler room) with a gross floor area of approximately 3,185.27 sq.m. erected on the North Jufeng Land did not hold a building ownership certificate. As advised by our PRC Legal Advisers, the competent authority may order the demolition of the relevant structures or impose a maximum fine of approximately RMB425,000 on us. For further details, please refer to the section headed “Business — Non-compliance — 1. Structures without valid building ownership certificates” in this listing document.

RISK FACTORS

We may fail to maintain an effective quality control system and may be subject to claims by our customers and consumers of our products in respect of product quality and compliance with relevant health and safety standards, and our insurance coverage might not be sufficient to cover our potential losses in product liability claims.

The quality of our products is vital to the success of our business in the industry. Our quality control depends significantly on the effectiveness of our quality control system, which, in turn, depends on a number of factors, including the design of the system, the machines and equipment used, quality of our staff and related training programmes and our ability to ensure that our employees adhere to our quality control policies and guidelines. For details of our quality control, please refer to the section headed “Business — Quality assurance” in this listing document.

We may at times be involved in litigation or other legal proceedings during our ordinary course of business related to, among other things, product or other types of liability, labour disputes or contractual disputes that could have a material and adverse effect on our financial condition. If we become involved in any litigation or other legal proceedings in the future, the outcome of such proceedings could be uncertain and could result in settlements or outcomes which negatively impact our reputation and our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses as well as significant time and attention of our management, diverting their attention from our business and operations.

During the Track Record Period, we faced two defective products claims from two of our CMS customers, which our Group had eventually paid approximately RMB206,000 and RMB150,000 to the respective CMS customers as settlement. There can be no assurance that our quality control system will continue to be effective. Any significant failure in or deterioration of the efficacy of our quality control system could damage our product quality and have an adverse effect on our reputation in the market among our existing or prospective customers. It will, in turn, lead to reduced orders or loss of customers in the future, thus severely harming our business, financial condition, results of operations and prospects.

In particular, we face an inherent risk of exposure to product liability claims in the event that the use of our products results in health or safety issues or damages. The end-consumers of our products may have the right to bring an action under tort and we may also be subject to tortious liabilities for any damages caused by defects of our products. According to the Tort Law of the PRC (中華人民共和國侵權責任法) which was promulgated by the Standing Committee of the National People’s Congress (“**Standing Committee of the NPC**”) on 26 December 2009 and became effective since 1 July 2010, if damage or physical injury is incurred due to product defect, the manufacturer of the product and the seller shall assume civil liability in accordance with the above-mentioned law and other related laws and regulations. In addition, we export certain amount of our products from the PRC to our overseas customers and we rely on other entities such as our agents and our foreign customers to comply with the relevant procedures and regulations.

There is no assurance that we would not be named as a defendant in a lawsuit or proceedings brought by end consumers in the future in respect of our products in the event that our products are found to be harmful for or detrimental to human health, resulting in illnesses or deaths of any persons. A successful claim against us in respect of our products or a material recall of our products may result

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in (i) significant financial costs to be incurred and management efforts to be spent in defending against such claim or other adverse allegations or rectifying such defects or making payment for damages; (ii) deterioration of our brand and corporate image; and (iii) material adverse effect on our business, financial condition and results of operations.

Our ability to compete may be hampered if our intellectual property rights are infringed by third-parties or, on the other hand, if we are alleged or found to have infringed the intellectual property rights of others

We have developed trademarks, patents, copyrights, industrial know-how, product formula, production processes, technologies and other intellectual property rights that we believe are of significant value to us. As at the Latest Practicable Date, we had 200 registered trademarks, six registered invention patents and 12 registered utility model patents in the PRC, five registered trademarks in Hong Kong, one registered trademark in Japan, one registered trademark in Spain and three registered trademarks in South Korea. We are in the process of applying for the registration of 103 trademarks in the PRC and other trademarks in Singapore, Chile, Taiwan, Malaysia, Pakistan, South Korea, Sri Lanka and the United States. Please refer to the section headed “Appendix V — Statutory and general information — C. Intellectual property rights of our Group” in this listing document for more details.

Counterfeiting and imitation of popular consumer and branded products occur in the PRC. Most of our products are marketed under our own or licensed brands BOTNY (保賜利), ATM, ETOMAN (已度明), NISSEI, WIN (勝彩), FOX-D (狐狸), PISCIS (百麗時) and PARLUX (派樂士) which are critical to our success. We believe the popularity of our brand names may make them a target of counterfeiting or imitation by third parties. It may be possible for third parties to obtain and use our intellectual property rights without authorisation or for third parties to copy or imitate our intellectual property rights hence causing confusion and mislead end-customers to believe the counterfeit products, which are usually of poor quality, are our products. This may adversely affect our sales, damage our reputation, or increase our administrative costs in respect of detection, investigation and prosecution. We cannot assure you that our intellectual property rights will not be counterfeited or misappropriated by third parties and, if such counterfeiting or misappropriations do occur, whether we will be able to detect and deal with them effectively.

On the other hand, we cannot be certain that our intellectual property rights will not be challenged by third parties, whether with or without merit. Certain unrelated third parties may own intellectual property rights which may be considered to be similar to ours. In particular, similar trademarks and slogans registered or used by unrelated third parties may cause confusion in the market regarding our brand names and slogans. We were advised by our PRC Legal Advisers that as at the Latest Practicable Date, trademarks legally registered by us were protected by the applicable laws and regulations in the PRC and can be duly used on the packaging or containers of our products. Although we were not aware of any pending or threatened claims against us for material infringement of intellectual property rights as at the Latest Practicable Date, there is no assurance that owners of similar trademarks and slogans will not institute litigation or other forms of proceedings against us, whether with or without merit. In addition, we could face difficulty and incur additional expenses during our future expansion because of the existence of any similar trademarks or slogans owned by unrelated third parties. Furthermore, if the market is confused as such and the general consumers are unable to differentiate our products with those that are produced by owners using similar trademarks

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and slogans, we will be exposed to the risk that our reputation can be adversely affected by the actions of others beyond our control, for example where these owners produce products that have low quality or possess safety and/or health issues. In the event that our brands or reputation are damaged or our consumers lose their trust and confidence in us, we may suffer a loss of revenue or market share, which could materially and adversely affect our business, financial condition and results of operations.

We may from time to time be required to institute or be involved in litigation, arbitration or other forms of proceedings, including settlements, to enforce or defend our intellectual property rights, which would likely be time-consuming and expensive and would divert our management's time and attention regardless of their outcome. If any third party infringes our intellectual property rights or if we are alleged or found to have infringed the intellectual property rights of others, it may materially and adversely affect our business, financial condition and results of operations.

Our business is dependent on the continuous operation of our production facility

We have two production facilities in the Conghua District of the Guangdong Province, the PRC, with our major production conducted in the North Jufeng Plant. Our facilities are subject to operational risks, such as the breakdown or failure of our major equipment, power supply or maintenance, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. Where events that limit our ability to operate our facilities occur, we may need to incur substantial additional expenses to repair or replace the damaged equipment or facilities. The temporary closing down of our production facilities would severely affect our daily production and business operation. Our ability to manufacture and supply products and ability to meet delivery obligations to our customers would be significantly disrupted, and our relationships with our customers could be damaged, which could materially and adversely affect our business, financial condition and results of operations.

In order to conduct maintenance, statutory inspections and testing, we may carry out planned shutdowns from time to time. We may also shut down production lines from time to time for capacity expansion and equipment upgrades. Although we take precautions to minimise the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, whether caused by any of the factors mentioned above or otherwise.

During the Track Record Period, we engaged labour dispatch services from a labour dispatch entity. We will continue to rely on third-party human resources companies for provision of labour

During the Track Record Period, Guangzhou Euro Asia entered into various labour dispatch agreements with a labour dispatch entity for its provision of labour dispatch services. From time to time, Guangzhou Euro Asia and Guangzhou Botny who shared the labour dispatch services from Guangzhou Euro Asia under the said agreements, engaged and utilised dispatched staff when we

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required a large amount of temporary workforce to assist our technical staff due to operation and production need. For further details, please refer to the sections headed “Regulatory overview — Laws and regulations on labour and safety” and “Business — Non-compliance — 2. Dispatched labour” in this listing document.

In September 2018, Guangzhou Euro Asia terminated the labour dispatch agreement then in force with the relevant labour dispatch entity, and each of Guangzhou Botny and Guangzhou Euro Asia entered into a labour outsourcing agreement with a human resources company, pursuant to which, among others, the relevant human resources company would be responsible for the management of the sub-contracting staff. We may not be able to monitor such outsourced labour as directly and efficiently as our own employees. Furthermore, we cannot assure that the performance of such outsourced labour can meet our requisite standards. Their substandard services may adversely affect our operation and production, which in turn negatively affect our business, financial conditions and results of operations.

Failure to renew our licences and permits

Under relevant PRC laws and regulations, we are required to hold various licences and permits in order to conduct our business. As at the Latest Practicable Date, five structures with a gross floor area of approximately 3,185.27 sq.m. erected on the North Jufeng Land did not hold a valid building ownership certificate, which the competent authority may order the demolition of the relevant structures and/or impose a maximum fine of approximately RMB425,000 on us. Please refer to the section headed “Risk factors — Risks relating to our business — Some of our properties in the PRC are subject to risks arisen from defective titles and we may be required to demolish such structures or pay fines” in this listing document for more details. We are also required to comply with applicable regulations and standards in relation to our production and the quality of our products. Our PRC Legal Advisers advise and our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in the section headed “Business — Legal compliance” in this listing document, we had complied with all applicable laws and regulations in the PRC in all material respects and have obtained all the necessary permits, licences and certificates that are material to conduct our business. However, some of our permits, certificates and licences are subject to renewal on annual or other regular basis and/or need to be renewed in the coming years. Failure to renew such licences, permits or certificates may cause temporary or even permanent suspension of our production and disruption of our operations, thus having material adverse effects on our business and financial conditions.

Non-compliance with existing and future health, safety and environmental policies, laws, rules and regulations may lead to imposition of fines penalties and other liabilities and our compliance costs may increase if environmental protection laws become more onerous

Our operations are subject to the PRC’s health, safety and environmental policies, laws, rules and regulations which, among other things, require manufacturers to ensure that the production plants and facilities meet the requirements of the relevant production safety laws, regulations and standards, conduct an environmental impact assessment before engaging in new construction projects, receive approval and pass environmental acceptance check before the commencement of production, pay fees in connection with activities that discharge waste materials, properly manage and dispose of hazardous substances, and impose fines and other penalties on activities that threaten or contaminate

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the environment. Any violation of the applicable health, safety and environmental policies, laws, rules or regulations may result in orders of corrections, fines, shutdown of production and obligation to take corrective measures. Further, any violation which is criminal in nature may result in criminal sanction. Moreover, violations of health, safety and environmental policies, laws, rules and regulations or other related incidents may result in our liabilities to third parties. Consequently, any non-compliance incidents could materially and adversely affect our business, financial condition and results of operations.

Further, there can be no assurance that the PRC government will not change existing laws or adopt more stringent practice as to the enforcement of health, safety and environmental regulations. Due to the uncertainty of regulatory developments and interpretation of laws and regulations, and the amount of related expenditures we may need to incur beyond those currently anticipated, we also cannot assure you that we will be in full compliance with the health, safety and environmental regulations at all times. If such costs become prohibitively expensive, we may be forced to adjust, limit or cease certain aspects of our business operations.

Our facilities and operations may require continuous and substantial investment and upgrading

We have continued to invest and upgrade our production facilities to improve our production capability, increase our production lines, enhance the quality of our products and enhance the automation and cost-effectiveness of our products. Our research and development team develops new products and optimises our existing products, and we require substantial investment and upgrading to apply these research results and to expand our production capacity and enhance our automation processes. If our investment and upgrading costs are higher than anticipated or our business does not develop as anticipated to appropriately utilise new or upgraded facilities, our costs and financial performance could be negatively affected.

Our performance depends on favourable labour relations with our employees and any deterioration in these relations or a shortage of labour and a rise in labour costs may have an adverse effect on our operations

We rely on a significant number of skilled personnel and workers to support our product development and manufacturing processes. As at the Latest Practicable Date, we had a total of 483 employees (exclusive of Directors). Our success is dependent on our ability to hire, train, retain and motivate our employees. If our employees are not satisfied with what we offer, such as remuneration package or working environment, we may not be able to retain them and to replace them with personnel of appropriate skill set at comparable costs. In such event or in the event that the regions near our production facilities do not have a sufficiently sizable labour force, we may need to expend additional resources to attract and recruit suitable employees. Favourable labour relations are essential to our performance, and any material increase in our labour costs may have an adverse effect on our results of operations.

We may not be able to retain our core management team and key employees for our business operations

Our continued success depends significantly on the ongoing management by our senior management and key employees. We rely on our management team comprising our executive

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Directors and senior management as set out in the section headed “Directors, senior management and employees” in this listing document for their extensive knowledge and experience in our Group and the automotive beauty and maintenance and personal care products industry, as well as their in-depth understanding of market conditions and the regulatory regime. Failure to retain any of these senior management members and key employees could adversely affect our ability to sustain and develop our business.

Furthermore, competition for qualified personnel in the PRC is intense and the availability of suitable candidates is limited. Our competitors may seek to solicit our personnel and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain qualified personnel could also materially and adversely affect our business, financial condition and results of operations.

Failure or security breach of our information technology system may disrupt our operations

We increasingly rely on information technology systems to process, transmit and store information in relation to our operations. For example, all of our production facilities, production processes and inventory management system utilise information technology to maximise efficiencies and minimise costs. Our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, hackers and other security issues. Any such interruption to our information technology system could disrupt our operations and negatively impact our production capacity and ability to fulfill sales orders, which could have an adverse effect on our business, financial condition and results of operations.

We may not be able to efficiently manage our inventory and may be exposed to risks of obsolete inventories

Our inventories consist of raw materials, work-in-progress and finished goods. We manufacture our CMS products on a made-to-order basis, and we manufacture our OBM products on a made-to-stock basis. For details, please refer to the section headed “Business — Inventory control” in this listing document. We believe that maintaining an appropriate level of inventories helps us deliver our products to meet the market demands in a timely manner. Our balance of inventories as at 31 December 2016 and 2017 and 2018 amounted to approximately HK\$42.1 million, HK\$54.4 million and HK\$57.0 million, respectively.

We cannot assure you that we will not experience any slow movement of inventories, which may result from our reduced sales due to change in consumer preferences, change of marketing strategy by our customers or incorrect estimation of the market demand for our products. As such, if we fail to manage our inventories effectively or are unable to sell our excess inventories, we may face a risk of inventory obsolescence and/or significant inventory write-downs, which may impose pressure on our operating cash flow, and materially and adversely affect our business, financial condition and results of operations.

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We are exposed to the risk from foreign exchange rate fluctuations

While RMB is the functional currency used by our principal subsidiaries in the PRC for conducting transactions, export sales during the Track Record Period were mainly conducted in USD. We are therefore exposed to foreign currency risks as a result of sales that are denominated in a currency other than RMB, and in particular, in USD. Our profit margins may be adversely affected if we are unable to increase the USD denominated selling prices of our products sold to overseas customers to account for the appreciation of RMB against USD.

In addition to the exchange differences arising from transactions conducted by us, we may also be subject to foreign exchange gain or loss as our consolidated financial statements are denominated in Hong Kong Dollars while most of our assets/liabilities are denominated in RMB. Such gain or loss is recorded in the combined statements of other comprehensive income/loss of our Group. During the Track Record Period, approximately HK\$15.9 million and HK\$16.6 million of exchange differences on translation of foreign operations were recorded as other comprehensive loss for each of the years ended 31 December 2016 and 31 December 2018, respectively, while approximately HK\$18.5 million of exchange differences on translation of foreign operations was recorded as other comprehensive income for the year ended 31 December 2017. Any exchange rate volatility relating to RMB may affect our value of net assets and profits. Exchange rate fluctuations between RMB and USD may also result in increase or decrease in our reported costs and earnings, which may materially and adversely affect our financial condition and results of operations.

We used derivative financial instruments such as forward contracts to hedge our foreign currency exposure in 2015. We did not enter into any hedging contracts for the three years ended 31 December 2018. As at the Latest Practicable Date, we had not entered into any hedging transaction in an effort to reduce our exposure to foreign currency exchange risks. In the event that we use any derivative financial instrument such as forward contracts to hedge our foreign currency exposure in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all, which may in turn materially and adversely affect our financial condition and results of operations.

RISK RELATING TO OUR INDUSTRY

Liabilities in connection with the use of hazardous materials and risks of serious injury through the use of our production equipment

Our production process involves the use and storage of flammable and/or explosive raw materials such as liquefied petroleum gas or any other environmental or hazardous materials (for instance, VOCs) or any other chemical compounds, which may cause industrial accident if we do not handle these materials properly. Thus, we cannot assure you that any accident causing explosion, disruption of operation, injuries or death resulting from our negligence or mishandling of these hazardous materials will not happen at our production plant. In such event, we may be liable for the loss of life and property, personal injuries, medical expenses suffered by the victims in the accident and we may have to pay fines and penalties for violation of applicable PRC laws and regulations. Furthermore, our production plant may be required to halt operation pending investigations from the authorities, which would severely and adversely affect our business operation, reputation and financial performance.

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We use certain machinery and equipment in our production processes such as compressing machine, and industrial mixing device, which are potentially dangerous and may cause industrial accidents if not used properly. Any severe accident caused by the use of such equipment or machinery could interrupt our operations and result in legal and regulatory liabilities. While we provide work-related injury insurance for our employees, insurance coverage related to accidents resulting from the use of such equipment or tools may be inadequate to offset losses arising from claims related to such accidents, which could materially and adversely affect our reputation, business, financial condition and results of operations.

The preferential tax treatment we currently enjoy is subject to review and approval by the PRC tax authority. If the preferential tax rate increases or if we no longer enjoy the preferential tax treatment in the future, our net profits and cash flow will be adversely affected

Our profit attributable to owners of the parent is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled. In recognition of our strong technology and production development capability, our key operating subsidiary, Guangzhou Botny, has been accredited as High-tech enterprise (高新技術企業) since 2008, which entitles us to a preferential PRC enterprise income tax rate of 15%, subject to the review and approval by the tax authorities every three years. The current accreditation was awarded to Guangzhou Botny in December 2017 with a validity period of three years and would expire in December 2020.

There is no assurance that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy will not be cancelled. If such change or cancellation occurs, we may be subject to an enterprise income tax rate of 25%, and the resulting increase in our tax liability would have an adverse effect on our net profits and cash flow.

The general public and the PRC government are paying increasing attention to environmental protection which may increase our compliance costs and affect our growth plan

Our production involves the use of certain environmental hazardous materials (for instance, alcohol and liquefied petroleum gas) and the management and disposal of wastes and hazardous materials. In recent years, the general public are paying increasing attention to matters relating to the protection of the environment. The rising environmental consciousness may lead to our products as well as our operation being closely scrutinised by the general public as well as certain environmental and non-governmental organisations. We may be involved in environmental investigations for any negative reporting or publicity on our operation or our products, and the failure of passing such investigations could subject us to fines and other penalties, including the suspension or shut down of our operations. This will erode our reputation and consumer acceptance of our brands which may in turn materially and adversely affect our business, financial condition and results of operations. In addition, our business is susceptible to changes in consumers' preference on environmental friendly products. There is no assurance that we will be able to continue to develop or launch more environmental friendly products which are appealing to or popular amongst our customers.

Besides, we are subject to PRC environmental regulations which impact on us at an operational level including but not limited to the Environmental Protection Law of the PRC* (中華人民共和國環境保護法), Law of the PRC on Prevention and Control of Atmospheric Pollution* (中華人民共和國大氣污染防治法) and Law of the PRC on Prevention and Control of Water Pollution* (中華人民共和

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國水污染防治法)。According to the Guangdong Province Work Programme on the Comprehensive Treatment and Emission Reduction on Volatile Organic Compounds (2018-2020)* (廣東省揮發性有機物 (VOCs) 整治與減排工作方案 (2018-2020年)) published on 10 April 2018, government of the Guangdong Province encourages enterprises to use water-based, VOC-low environmentally friendly paint and coating products to replace those solvent-based paint or coating products used for vehicles maintenance and repair industry. As a result, the sales of solvent-based paint and coating products in Guangdong Province could be adversely affected due to the foregoing regulation. We cannot assure you that similar regulations will not be implemented in other PRC cities which could have a material impact on our sales plan of the solvent-based paint and coating products. For further details, please refer to the section headed “Regulatory overview — Laws and regulations on environmental protection” of this listing document.

Due to the growing awareness on environmental protection, the PRC government may implement more onerous laws and adopt more stringent practice as to the enforcement of environmental regulations in the future that will require us to undertake costly measure or obtain additional approvals. Please refer to the section headed “Risk factors — Risks relating to our business — Non-compliance with existing and future health, safety and environmental policies, laws, rules and regulations may lead to imposition of fines penalties and other liabilities and our compliance costs may increase if environmental protection laws become more onerous” in this listing document for more details.

Our insurance coverage may not be sufficient to cover all risks in relation to our business operations

As at the Latest Practicable Date, we maintained various insurance policies, covering our production facilities (including inventory and machinery and equipment), work safety liability insurance which covers work injuries at our production facilities, product liability insurance in relation to our automotive beauty and maintenance products and property insurance which covers our vehicles. However, there are certain types of losses, such as losses from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters for which we cannot obtain insurance at a reasonable cost or at all. Please refer to the section headed “Business — Insurance” in this listing document for further details of our insurance coverage. If we experience events for which we are not insured, we would incur the resulting financial losses, and such losses may be substantial, particularly if our products are found to cause widespread injury, illness or death. Moreover, our insurance policies may include financial limits with respect to the losses from events for which we are insured. If we experience uninsured losses or losses in excess of our insurance coverage, it could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations

Potential outbreaks of infectious diseases such as the H1N1 influenza virus, severe acute respiratory syndrome (SARS), bird flu and Zika virus in the regions we operate could disrupt our manufacturing operations, reduce demand for our products and increase our costs. Natural disasters, such as floods or earthquakes, could severely disrupt our manufacturing operations and increase our costs.

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Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations and the operations of our customers and suppliers, and may affect the availability of materials needed for our manufacturing services. Such events may also disrupt the transportation of materials to our manufacturing facilities and finished products to our customers. These events have had, and may continue to have, an adverse impact on the world economy in general, and customer confidence and spending in particular, which in turn could adversely affect our total revenues and operating results. The impact of these events on the volatility of the world financial markets also could increase the volatility of the market price of our Shares and may limit the capital resources available to us, our customers and our suppliers.

The automotive beauty and maintenance products manufacturing industry in the PRC is significantly impacted by fluctuations in the domestic and global economy

The automotive beauty and maintenance products manufacturing industry in the PRC is significantly impacted by fluctuations in the domestic economy. Our operations are dependent on the conditions and overall activity levels of the automotive beauty and maintenance products manufacturing industry in the PRC. We also export our products to overseas markets. Changes in the domestic and global economy, such as GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending levels and government initiatives, could all affect our business and operations. Weak or volatile economic conditions may result in weakened consumer spending and hence decline in sales. It would also present a tougher and more competitive business environment for our suppliers, distributors and other business partners, which may then have an impact on their business dealings with us. Our sales volume and thus our revenue may be reduced as a result of weakened consumer spending in our target markets. Despite constant efforts of the relevant governments to implement measures to stabilise their financial systems, there is no assurance that such measures will revive growth in the domestic and global economy. Any slowdown in the domestic or global economy could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE PRC

We may be adversely affected by changes in political, social and economic policies, as well as governmental policies, in the PRC

Substantially all of our assets and business operations are currently located in the PRC. During the Track Record Period, we derived 68.9%, 74.4% and 71.6% of our revenue from the sale of our products to customers in the PRC (based on the locations of the registered offices of our customers), respectively. Accordingly, our business, financial condition and results of operations are affected significantly by the economic, political and legal developments in the PRC.

The Chinese economy differs from the economies of most developed nations in many areas, including the degree of government involvement, the level of development, growth rate, foreign exchange control, access to financing and allocation of resources. As the PRC government continues to play an active role in the transition from a planned economy to a more market-driven economy, the PRC government continues to adopt reforms and policies, including ones which are unprecedented and

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experimental in nature. Changes in the PRC's political and social condition could therefore have a material effect on the economic condition of the country. Further, the Chinese economy has become increasingly linked with the global economy, and the PRC is affected in various respects by downturns and recessions in major economies around the world. Any adverse change in the PRC's economic, social and political conditions could have a material adverse effect on PRC's overall economic growth, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may be deemed a PRC resident enterprise under the EIT law and be subject to PRC taxation on our worldwide income

We are a holding company incorporated under the laws of the Cayman Islands. Under the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) (the “EIT Law”) which came into effect 1 January 2008, and its implementation rules, enterprises organised under the laws of jurisdictions outside the PRC with their “de facto management bodies” located within the PRC may be considered “PRC tax resident enterprises” and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term “de facto management body” as a “body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise”. The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management* (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) issued in April 2009 and revised in December 2017, and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial)* (境外註冊中資控股居民企業所得稅管理辦法(試行)) issued in July 2011 and revised in April 2015 and June 2018 set out certain criteria for specifying what constitutes a “de facto management body” in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

Therefore, it is unclear whether we will be deemed to be a “PRC tax resident enterprise” for the purpose of the EIT Law even though substantially all of our operations and management are currently based in the PRC. We are currently not treated as a PRC tax resident enterprise by the relevant tax authorities. Nonetheless, there is no assurance that we will not be treated as a PRC tax resident enterprise under the EIT Law and not be subject to the enterprise income tax rate of 25% on our global income in the future. If we are deemed to be a “PRC tax resident enterprise”, we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profits to our shareholders.

Our products exported from our PRC production base to the United States may be subject to high tariff rates under the trade war between the United States and the PRC, which could adversely affect our sales volumes, profitability and results of operations

For the three years ended 31 December 2018, we derived revenue from the United States in the amount of approximately HK\$26.2 million, HK\$20.8 million and HK\$59.2 million, representing approximately 5.0%, 4.0% and 9.7% of our revenue, respectively. As a result, our revenue generated from the United States is exposed to possible sales interruptions or cancellations or increase in costs

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in the event of any adverse actions taken by the United States with respect to continued trade or enactment of legislation that restricts trade. In September 2018, the Office of the United States Trade Representative (USTR) released a list of approximately US\$200 billion worth of Chinese imports that would be subject to additional tariffs, including personal deodorants and antiperspirants. Under such tariff treatment, the cost for our CMS customers in procuring products from our Group will inevitably increase, making our products less price competitive than our competitors who are not subject to such tariff. To minimise the effect of the tax levied, our CMS customers may want to impose new terms and pass, in part or in whole, the additional costs onto our Group. If the trade restrictions intensify, the relevant customer may even shift to source their products outside the PRC instead from us.

Our Directors confirm that, although the trade war between the United States and the PRC did not have a material adverse impact on the selling prices of our products for the year ended 31 December 2018, our major customer in the United States (the “**U.S. Customer**”), which primarily purchased our personal care products during the Track Record Period, did not place any sales order with us during the period from January 2019 to March 2019. Our secured orders received from the U.S. Customer, which were or are expected to be recognised as revenue, after March 2019 and up to the Latest Practicable Date amounted to approximately HK\$1.0 million, of which approximately HK\$0.4 million had been recognised as revenue as at the Latest Practicable Date. For the three years ended 31 December 2018, our revenue generated from the U.S. Customer amounted to approximately HK\$26.2 million, HK\$20.8 million and HK\$59.2 million, accounting for approximately 5.0%, 4.0% and 9.7% of our total revenue, respectively. As at the Latest Practicable Date, it was still uncertain whether the U.S. Customer would continue to place orders with us, and the parties intended to negotiate this further in due course. For details, please refer to the section headed “Business — Our customers — Our CMS customers” in this listing document.

There is no guarantee that the trade relations between the United States and the PRC will remain stable in the future and we cannot predict whether and how any potential change in their relationship will impact our ability to export our products from the PRC to the United States in the future. Any deterioration in their relationship could further increase the costs of our exported products to the United States, or limit our ability to export our products to the United States, which could have an adverse effect on our business, financial condition and results of operations.

As a holding company, we rely on the distribution of our PRC subsidiaries for funding

We are a holding company incorporated in the Cayman Islands and we operate our business principally through our subsidiaries in the PRC. Therefore, the availability of funds to us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries.

PRC laws permit dividends to be paid by our PRC subsidiaries only out of their distributable profits determined in accordance with the PRC generally accepted accounting principles (“**PRC GAAP**”), which differ from the accounting principles and standards generally accepted in many other jurisdictions. The Chinese laws also require each of our PRC subsidiaries to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP annually, but are not required to do so once the cumulative amount of the general reserve fund reaches 50% or more of the relevant subsidiary’s registered capital. Any of our PRC subsidiaries that is a foreign invested enterprise may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with Chinese laws. These reserve funds are not available for distribution as cash dividends.

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Additionally, factors such as cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our PRC subsidiaries' ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Distributions by our PRC subsidiaries to us in forms other than dividends may also be subject to government approvals and taxes. These restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service any future indebtedness.

Dividends we pay to our investors are subject to PRC withholding taxes

We are incorporated under the laws of the Cayman Islands. According to the Circular of Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to Enterprise Income Tax, the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the Enterprise Tax Law, which is currently set at 10%. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investor. Due to the PRC withholding taxes, depending on the tax jurisdiction of the receiver, we may incur significant PRC tax liabilities when PRC profits are distributed to our ultimate shareholders.

We may be limited in our ability to expand our business or pursue certain funding transactions as a result of increased scrutiny by PRC tax authorities over the transfer of equity interests in PRC resident enterprises by a non-resident enterprise

On 3 February 2015, the PRC State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (“**Circular 7**”). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (“**Circular 698**”) and certain rules clarifying Circular 698. Circular 698 was issued by the PRC State Administration of Taxation on 10 December 2009. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the PRC tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the PRC tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise generally a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market; and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside the PRC involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the PRC tax authorities impose PRC enterprise income taxes on these activities, it would undermine our ability to expand our business or seek financing through these transactions which may adversely affect our business, financial condition and results of operations.

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We may be limited in our ability to conduct foreign exchange transactions due to government control of foreign currency conversion

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade related transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, foreign exchange transactions in the capital account, including the foreign currency capital in any foreign-invested enterprise in the PRC, the repayment of the principal amount of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require prior approval from the SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Substantially all of our revenue is denominated in Renminbi, which is currently not a freely convertible currency. We will have to convert a portion of our Renminbi revenue or profit to meet our needs for foreign currency, such as the payment of dividends by our Company, if any are declared.

While current PRC laws and regulations permit conversion of Renminbi into foreign currencies for payment of current account items (including payment of dividends to foreign shareholders), any future change in PRC law or government policy may restrict our Company's ability to pay dividends and other current account items in foreign currencies or restrict our Company's ability to make payments without obtaining prior approval from the SAFE. If restrictions imposed by the PRC government prevent us from obtaining sufficient foreign currency to satisfy our currency demands, our Company may not be able to pay dividends in foreign currencies to Shareholders. In addition, if we fail to obtain approval from SAFE to convert Renminbi into any foreign currency, our capital expenditure plans, and even our business, financial condition and results of operations may be adversely affected.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from making additional capital contributions or loans to our major PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries to finance their activities may not exceed statutory limits and must be registered with the SAFE or its local counterpart. Any capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. In addition, the use of any Renminbi obtained from the settlement of capital of a foreign-invested enterprise for purposes within the business scope shall be approved by the applicable government authority, and may not be changed without approval from the SAFE. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, in

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respect of future loans by us to our PRC subsidiaries or in respect of future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are subject to uncertainties in the PRC legal system

Our subsidiaries and operations are principally based in the PRC and are subject to the laws and regulations of the PRC. The PRC legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have limited precedential value and are used only for reference. Furthermore, the PRC's statutes are subject to the interpretation by the legislative bodies, the judicial authorities and the enforcement bodies, which are not always uniform. Since 1978, the PRC has implemented laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and subject to frequent changes and may not be consistently interpreted and implemented. There may also be new laws and regulations enacted to cover new economic activities in the PRC. We cannot predict the effect of future developments in the PRC legal system. These uncertainties in the PRC legal system may adversely affect our business and limit the legal protection available to us and our shareholders.

RISK RELATING TO THE INTERNATIONAL SANCTIONS

We have previously made sales to customers in Countries subject to International Sanctions administered by U.S., and we could be adversely affected if these sales result in penalties on our Group.

The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we made direct sales of our aerosol and non-aerosol products to certain customers located in Countries subject to International Sanctions, including Afghanistan, Lebanon, Russia, Iran, Iraq, Yemen and Haiti. We also had a transaction with a Sudanese customer in April 2014. Iran is subject to OFAC's comprehensive sanctions program under the Iranian Transactions and Sanctions Regulations. Sudan was also subject to comprehensive sanctions until 12 October 2017. During the Track Record Period, our revenue derived from sales to these customers amounted to approximately HK\$5.2 million, HK\$4.9 million, and HK\$2.1 million, representing approximately 1.0%, 0.9% and 0.3% of our total revenue for the three years ended 31 December 2018, respectively. Among the sales to these customers, twelve (12) payments in an aggregate amount of approximately US\$349,194 received indirectly from two Iranian customers and two (2) payments in an aggregate amount of approximately US\$36,877 received from a Sudanese customer between 2013 and 2018 with respect to our goods sold and delivered to Iran and Sudan were denominated in U.S. dollars and processed through the U.S. financial system before they were received by our Group.

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These transactions appear to be potential violations of U.S. sanctions regulations that are applicable to transactions with Iran and Sudan. For further details and our potential risk exposure, please refer to the section headed “Business — Business activities in Countries subject to International Sanctions” in this listing document.

We have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group enter into relating to Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

While we have implemented internal control measures to minimise our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of U.S., the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. For details of our business operations in the Countries subject to International Sanctions and our undertakings to the Stock Exchange and its related group companies, please refer to the section headed “Business — Business activities in Countries subject to International Sanctions” in this listing document.

RISKS RELATING TO THE SPIN-OFF AND OUR SHARES

Shareholders’ interest may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (a) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (b) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of our existing Shareholders.

There is no existing public market for our Shares and their liquidity and market price may fluctuate

Prior to the Listing, there was no public market for, and no established price for, our Shares. Our Company has made an application for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Listing, however, does not guarantee that an active and liquid trading market for our

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Shares will develop or, if it does develop, that it will be sustained following the Listing or that the market price of our Shares will not fluctuate following completion of the Listing. The price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and other industries; and
- other events or factors beyond our Group's control.

We may not declare dividends on our Shares in the future

Whether we pay a dividend and the amount of such dividend will depend on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions and other factors that our Directors deem relevant. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. There is no assurance that dividends of any amount will be declared or distributed in any year.

Our Group cannot guarantee the accuracy of certain facts and other statistics contained in this listing document

Certain facts and other statistics in this listing document relating to the automotive beauty and maintenance product manufacturing industry in the PRC and the PRC economy are derived from various government publications and organisations that we believe to be reliable, as well as from a report prepared by CIC. While we believe that such facts and statistics are appropriate sources for such information, and our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, they have not been prepared or independently verified by our Group, the Sole Sponsor or any of our Group's or their respective affiliates or advisers. Therefore, Our Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information complied within or outside the PRC or available from other sources. Such facts and other statistics include the facts and statistics contained in this section, the sections headed "Summary", "Industry overview" and "Business" in this

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listing document. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics and you should not place undue reliance on them. Accordingly, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You may not have the same protection of your shareholder rights under Cayman Islands law compared to what you would have under Hong Kong law

Our Company's corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Law, and the common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, the rights of minority shareholders to instigate actions and the fiduciary responsibilities of our Directors to our Company under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands may have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

You may not be able to participate in rights offerings or to elect to receive stock dividends and may experience dilution of your shareholdings

We may, from time to time, distribute rights to our Shareholders, including rights to acquire securities, including our Shares. We will not distribute rights to holders of our Shares in the United States unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or are registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from the registration requirements under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavour to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of our Shares in the United States may be unable to participate in rights offerings and may experience dilution of their shareholdings in us as a result. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we will allow the rights to lapse, in which case holders of our Shares will receive no value for these rights. We may, from time to time, offer a stock dividend election to all holders of our Shares, subject to applicable securities laws, in respect of future dividends. We will not, however, permit holders of our Shares to exercise such election unless the issuance of our Shares pursuant to such election is either exempt from registration under the U.S. Securities Act or registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from the registration requirements under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to Shares issuable pursuant to these elections or to endeavour to have a registration statement declared effective under the U.S. Securities Act. In addition, we may choose not

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to offer such election to certain holders of our Shares, and may instead offer those holders of the Offer Shares dividends in the form of cash only. Accordingly, holders of Shares in the United States may be unable to elect to receive dividends in the form of our Shares rather than cash and may experience dilution of their shareholdings in us as a result.

You should read the entire listing document carefully and should not consider any particular statements or any information contained in press articles, media and/or research reports regarding us, our business and/or our industry without carefully considering the risks and other information contained in this listing document

There may be coverage in the press, media and/or research analyst coverage regarding our Group, our business, our industry and the Spin-off. There had been, prior to the publication of this listing document, and there may be, subsequent to the date of this listing document but prior to the completion of the Spin-off, press, media and/or research analyst coverage regarding our Group, our business, our industry and the Spin-off containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Spin-off. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any of the information in the media or publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it. Accordingly, you should read the entire listing document carefully and should not rely on any of the information in press articles or other media coverage. You should only rely on the information contained in this listing document to make investment decisions about us.

Forward-looking statements contained in this listing document are subject to risks and uncertainties

This listing document contains certain statements that are “forward-looking” and indicated by the use of forward-looking terminology such as “aim”, “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “project”, “seek”, “shall”, “should”, “will” or “would” or similar expressions. You are cautioned that reliance on any forward-looking statement involves risk and uncertainties, any or all of those assumptions could prove to be inaccurate and as a result, the forward looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this listing document should not be regarded as representations by our Group that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Spin-off and the Listing, our Group has sought the following waivers from strict compliance with the Listing Rules.

WAIVER IN RELATION TO A NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Our Group has entered into a continuing transaction with a connected person that is expected to continue after the Listing, which will constitute a non-exempt continuing connected transaction of our Company under the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with the requirements in respect of the relevant non-exempt continuing connected transaction under Chapter 14A of the Listing Rules. The details of such non-exempt continuing connected transaction and waiver granted are set out in the section headed “Continuing connected transactions” in this listing document.

WAIVER IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules, this listing document is required to include, among other thing, details of the number, description and amount of any of our Shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholding upon Listing as well as the impact on the earning per Share arising from exercise of such outstanding options under the Pre-IPO Share Option Scheme (the “**Share Option Disclosure Requirements**”).

On 17 May 2019, our Company granted the Pre-IPO Share Options to 119 persons to subscribe for an aggregate of 7,765,000 Shares, representing approximately 3.3% of the total issued share capital of our Company immediately upon completion of the Spin-off and the Listing (assuming none of the Pre-IPO Share Options have been exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme) on the terms set out in the section headed “Appendix V — Statutory and general information — E. Pre-IPO Share Option Scheme” in this listing document.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Our Company has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules on the ground that full compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

1. The Pre-IPO Share Options were granted to 4 executive Directors, 3 senior management members, 2 employees (with 200,000 or more Pre-IPO Share Options) (collectively, the **“Disclosed Grantees”**) and 110 other grantees who are the employees of our Group (the **“Other Grantees”**). Save as disclosed herein, no Pre-IPO Share Options have been or will be granted to connected persons of our Company. Our Directors consider that it would be unduly burdensome to disclose full details of the Other Grantees and the Pre-IPO Share Options granted to them by our Company under the Pre-IPO Share Option Scheme in this listing document, which would significantly increase the cost and timing for information compilation, listing document preparation and printing.
2. Disclosure of key information in relation to the Pre-IPO Share Options, as described in the section headed “Appendix V — Statutory and general information — E. Pre-IPO Share Option Scheme” in this listing document should provide potential investors with sufficient information to make an informed assessment of the potential dilutive effect and therefore the impact on the earnings per Share of the Pre-IPO Share Options in their investment decision making process.
3. The grant and exercise in full of the Pre-IPO Share Options will not cause any material adverse change in the financial position of our Group.
4. A waiver from the applicable disclosure requirements under the Listing Rules will not hinder potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the investing public.
5. Particulars of the Disclosed Grantees and details of the Pre-IPO Share Options granted to the Disclosed Grantees under the Pre-IPO Share Option Scheme are disclosed under the section headed “Appendix V — Statutory and general information — E. Pre-IPO Share Option Scheme” in this listing document.

In light of the above, our Directors are of the view that the grant of the waiver sought under this application will not prejudice the interests of the investing public.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Stock Exchange has granted to our Company the waiver under the Listing Rules on the following conditions:

- (i) on an individual basis, the disclosure of full details of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme to each of the Disclosed Grantees and such details shall include all information and particulars required under the Share Option Disclosure Requirements;
- (ii) for the Other Grantees, disclosure will be made, on an aggregate basis, on (1) their aggregate number of Shares underlying the Pre-IPO Share Options; (2) the exercise period of the Pre-IPO Share Options; (3) the consideration paid for the Pre-IPO Share Options; and (4) the exercise price of the Pre-IPO Share Options;
- (iii) there will also be disclosure in this listing document for the aggregate number of Shares underlying the Pre-IPO Share Options and the percentage of our Company's issued share capital represented by them;
- (iv) the dilution effect and therefore the impact on the earnings per Share upon full exercise of the outstanding Pre-IPO Share Options will be disclosed in the section headed "Appendix V — Statutory and general information — E. Pre-IPO Share Option Scheme" in this listing document;
- (v) a full list of all the grantees who have been granted the Pre-IPO Share Options, containing all the details as required under the Share Option Disclosure Requirements, will be made available for public inspection in accordance with the arrangement as set out in Appendix VI to this listing document; and
- (vi) a summary of the Pre-IPO Share Option Scheme.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE SPIN-OFF

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this listing document misleading.

INFORMATION ON THE SPIN-OFF

Our Company has not authorised anyone to provide any information or to make any representation not contained in this listing document. You should not rely on any information or representation not contained in this listing document as having been authorised by our Group, the Sole Sponsor, or any of our Group's or their respective directors, officers or representatives or any other person involved in the Spin-off. Neither the delivery of this listing document nor the distribution of Shares pursuant to the Distribution should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our Group affairs since the date of this listing document or imply that the information contained in this listing document is correct as at any date subsequent to the date of this listing document.

RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with providing information on the Spin-off. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this listing document or any part thereof in connection with any offering of Shares or other securities of our Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase any of our Shares or other securities of our Company nor is it calculated to invite any offer or invitation for any of our Shares or other securities of our Company.

APPLICATION FOR LISTING OF OUR SHARES ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue following completion of the Spin-off and any Shares which may be issued pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on Friday, 21 June 2019. Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE SPIN-OFF

ABOUT THE SPIN-OFF

The Spin-off does not involve an offering of Shares or any other securities of our Company for purchase or subscription and no money will be raised in conjunction with the Spin-off. By undertaking the Listing, we seek to avail the Qualifying China Aluminum Cans Shareholders with a liquid public market for our Shares.

CONDITION OF THE DISTRIBUTION AND THE SPIN-OFF

The Distribution is conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue on the Main Board of the Stock Exchange and such approval not having been revoked prior to completion of the Spin-off. If such condition is not satisfied, the Distribution will not be made and the Spin-off will not take place, in which case an announcement will be made. Further, our Company confirms that if the Spin-off does not occur for any reason, the Distribution will not be made.

According to the Listing Rules (including Practice Note 15 to the Listing Rules) and the Companies Law, the Spin-off does not require the approval of China Aluminum Cans Shareholders.

NO CHANGE IN BUSINESS

Our Company does not contemplate there to be any change in the business of our Group immediately following the Spin-off.

HONG KONG REGISTER AND STAMP DUTY

Our Company's branch register of members is maintained by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. Dealings in our Shares on the Stock Exchange will be registered on our Company's branch register of members maintained in Hong Kong.

Dealings in our Shares on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, after the Listing, dividends payable in HKD in respect of our Shares will be paid to our Shareholders listed on our Company's registers of members, by way of cheque sent by ordinary post, at their own risk, to the registered address of each Shareholder as stated in our Company's registers of members.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares in issue on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE SPIN-OFF

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of receiving, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Company, the Sole Sponsor, any member of our Group or their respective directors, officers or representatives or any other person involved in the Spin-off accepts responsibility for any tax effects or liabilities resulting from the receipt of, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence on Friday, 21 June 2019. The stock code of our Shares is 1861.

ODD LOT ARRANGEMENTS

Our Shares will be traded in board lots of 2,000 Shares each. As a result of the Distribution, Qualifying China Aluminum Cans Shareholders may receive our Shares in odd lots. In order to facilitate the trading of odd lots (if any) in our Shares, our Company has appointed China Tonghai Securities Company Limited to provide matching services, on a best efforts basis, to our Shareholders to facilitate the acquisition or disposal of odd lots of our Shares to make up a full board lot of our Shares, during the period from 20 June 2019 to 11 July 2019. Our Shareholders who wish to take advantage of this service should contact Mr. Eric Ho or Mr. Wong Man Kit of China Tonghai Securities Company Limited at 18/F, China Building, 29 Queen's Road Central, Hong Kong or at telephone numbers (852) 2847 2203 or (852) 2847 2282 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Our Shareholders should note that successful matching of the sale and purchase of odd lots of our Shares is not guaranteed and that in the event of successful matching, the relevant Shareholder will be charged the standard brokerage fee of China Tonghai Securities Company Limited. Our Shareholders who are in doubt about this service are recommended to consult their professional advisers.

DIRECTORS AND PARTIES INVOLVED IN THE SPIN-OFF

DIRECTORS

Name	Residential Address	Nationality
------	---------------------	-------------

Executive Directors

Ms. Ko Sau Mee (高秀媚女士)	57/F, Block 27, Celestial Heights 80 Sheung Shing Street Ho Man Tin, Kowloon Hong Kong	Chinese
Ms. Lin Hing Lei (連馨莉女士)	57/F, Block 27, Celestial Heights 80 Sheung Shing Street Ho Man Tin, Kowloon Hong Kong	Chinese
Mr. Lin Hing Lung (連興隆先生)	57/F, Block 27, Celestial Heights 80 Sheung Shing Street Ho Man Tin, Kowloon Hong Kong	Chinese
Mr. Yang Xiaoye (楊小業)	Room 1402, No. 1 Yijingyi Street Taiping Town, Conghua District Guangzhou, the PRC* (中國廣州市從化區太平鎮 怡景一街1號1402室)	Chinese

Independent Non-executive Directors

Mr. Lee Yiu Pui (李耀培先生)	Flat A, 17/F, Block 2 East Point City 8 Chung Wa Road Tseung Kwan O, New Territories Hong Kong	Chinese
Mr. Poon Tak Ching (潘德政先生)	26C, Tower 2, The Marinella 9 Welfare Road Wong Chuk Hang, Hong Kong Island Hong Kong	Chinese
Mr. Pang Cheung Wai Thomas (彭長緯先生), SBS, JP	Room 1, 7th Floor Block H, Shatin Heights 8003 Tai Po Road Shatin, New Territories Hong Kong	Chinese

For further information of our Directors, please refer to the section headed “Directors, senior management and employees” in this listing document.

DIRECTORS AND PARTIES INVOLVED IN THE SPIN-OFF

PARTIES INVOLVED IN THE SPIN-OFF

Sole Sponsor

China Tonghai Capital Limited

18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

Legal Advisers to our Company

As to Hong Kong laws

Hastings & Co.

5/F, Gloucester Tower, The Landmark
11 Pedder Street
Central, Hong Kong

As to PRC laws

China Commercial Law Firm

21/F-23/F, Hong Kong CTS Tower
No.4011 Shennan Avenue
Shenzhen, PRC

As to Japanese laws

Soga Law Office

4F, Kojimachi Mk Bldg.
4-3-30 Kojimachi
Chiyoda-ku
Tokyo, Japan

As to Cayman Islands laws

Appleby

2206-19 Jardine House
1 Connaught Place
Central, Hong Kong

As to International Sanctions laws

Hogan Lovells

11/F, One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SPIN-OFF

Legal Advisers to the Sole Sponsor	<i>As to Hong Kong laws</i> Howse Williams 27/F, Alexandra House 18 Chater Road Central, Hong Kong
	<i>As to PRC laws</i> King & Wood Mallesons 25/F, Guangzhou CTF Finance Centre No.6 Zhujiang East Road Zhujiang New Town Tianhe District, Guangzhou PRC
Auditor and Reporting Accountant	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	China Insights Industry Consultancy Limited 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai PRC
Property Valuer	Roma Appraisals Limited 22/F, China Overseas Building 139 Hennessy Road Wan Chai, Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Office Unit G, 20th Floor, Golden Sun Centre Nos 59/67 Bonham Strand West Hong Kong
Headquarter in the PRC	No. 628 Jufeng North Road Aotou Town Conghua District Guangzhou City Guangzhou Province PRC
Company's website	http://www.botny.com <i>(The information contained on the website of our Company does not form part of this listing document)</i>
Company secretary	Mr. Lee Kam Fai (李錦輝), CPA Flat C, 16/F Tower H1 De Novo 3 Muk Chui Street, Kai Tak Kowloon City, Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Ms. Ko Sau Mee (高秀媚) 57/F, Block 27, Celestial Heights 80 Sheung Shing Street Ho Man Tin, Kowloon Hong Kong Mr. Lee Kam Fai (李錦輝), CPA Flat C, 16/F Tower H1 De Novo 3 Muk Chui Street, Kai Tak Kowloon City, Kowloon Hong Kong
Audit Committee	Mr. Poon Tak Ching (潘德政) (<i>Chairman</i>) Mr. Pang Cheung Wai Thomas (彭長緯) <i>SBS, JP</i> Mr. Lee Yiu Pui (李耀培)

CORPORATE INFORMATION

Remuneration Committee	Mr. Pang Cheung Wai Thomas (彭長緯) <i>SBS, JP (Chairman)</i> Ms. Ko Sau Mee (高秀媚) Mr. Lee Yiu Pui (李耀培) Mr. Poon Tak Ching (潘德政)
Nomination Committee	Mr. Lee Yiu Pui (李耀培) (<i>Chairman</i>) Ms. Ko Sau Mee (高秀媚) Mr. Poon Tak Ching (潘德政) Mr. Pang Cheung Wai Thomas (彭長緯) <i>SBS, JP</i>
Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	Industrial And Commercial Bank Of China (Asia) Limited 34/F, ICBC Tower, 3 Garden Road Central, Hong Kong
Compliance adviser	China Tonghai Capital Limited 18/F-19/F, China Building 29 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

The information and statistics that appear in this Industry Overview section have been prepared by CIC and reflect estimates of market conditions based on publicly available sources and trade opinion surveys, and are prepared primarily as a market research tool. References to CIC should not be considered as the opinion of CIC as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by CIC and set out in this Industry Overview has not been independently verified by our Group, the Sole Sponsor or any other party involved in the Spin-off and none of them gives any representations as to its accuracy and the information should not be unduly relied upon. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of the PRC.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaging in the provision of professional consulting services across multiple industries, to conduct an analysis of and report on aerosol products used in the automotive beauty and maintenance market in China. The CIC Report was prepared by CIC independent of our influence. The fees paid for the preparation of the CIC Report was HK\$720,000, which we believe reflects the market rate for such reports.

The information and data collected by CIC have been analyzed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing market data obtained from several publicly available data sources, such as the International Monetary Fund and the National Bureau of Statistics of China. The methodology used by CIC is based on analyzing information gathered from multiple levels and ensures that this information is cross-referenced for reliability and accuracy.

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) economic and industrial development in China is likely to maintain a steady growth trend during the forecast period; (ii) related key industry drivers are likely to drive the continued growth in China's manufacturing of aerosol products used in the automotive beauty and maintenance market in the forecast period, and these drivers include the increasing purchasing power of households, expanded car parc and changing consumer behavior, supportive policies and regulations for the automobile market in China, and the expansion of online channels for automotive beauty and maintenance services as offered in China; and, (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected dramatically or fundamentally. CIC believes that the assumptions used in preparing the CIC Report, including those used to make future projections, are factual, correct, and not misleading. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors as well as the choice of primary and secondary sources.

Our Directors confirm that after taking reasonable enquiries, there had been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict, or have an impact on the information set out in this section.

Except otherwise mentioned, all data and forecasts contained in this section are extracted from the CIC Report.

AUTOMOTIVE BEAUTY AND MAINTENANCE MARKET IN CHINA

Overview of the automotive beauty and maintenance market

The automotive beauty and maintenance market consists of automotive beauty market, automotive maintenance market, and automotive minor repair market.

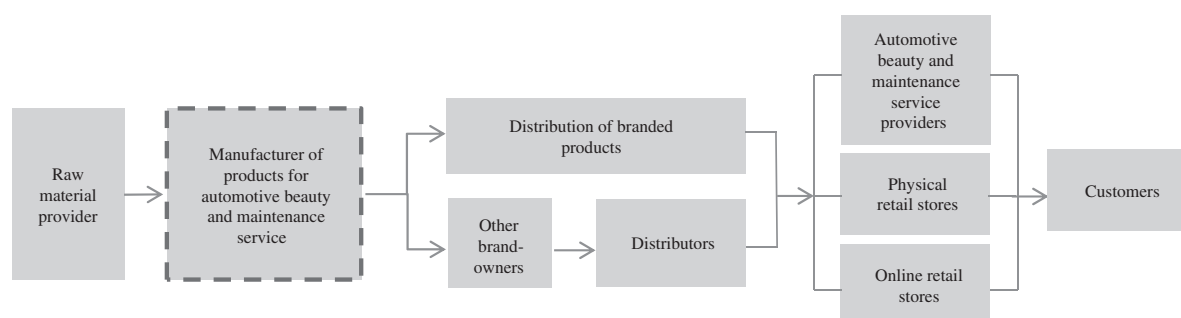
- Automotive beauty services refer to services that can help improve the exterior appearance of automobiles, with such services often focusing on increasing surface gloss, removing dust, blocking out ultraviolet rays, and preventing surface aging.
- Automotive maintenance services refer to the cleaning and maintenance of an automobile's interior appearance as well as auto parts, with such services often focusing on preventing the failure of auto parts in advance and extending the service life of the automobile.

INDUSTRY OVERVIEW

- Automotive minor repair services refer to the servicing of minor repairs and the replacement of auto parts, with such services often focusing on fixing minor problems, and ensuring the safety of automobiles.

Value chain of the automotive beauty and maintenance market

The graph below presents the value chain of the automotive beauty and maintenance market in China:



Manufacturer is responsible for the manufacturing of automotive beauty and maintenance products in production lines, turning raw material into final products. A strong distribution network can provide a great deal of support for the sale of automotive beauty and maintenance products in terms of enhancing a brand's presence and increasing its overall share in the market.

A majority of customers in the PRC tend to consume automotive beauty and maintenance service directly from service providers, such as 4S stores, franchised maintenance service stations, comprehensive repair workshops, quick repair chain stores, special repair shops and a large number of smaller roadside shops. In some cases, a minority of customers will also choose to purchase automotive beauty and maintenance products directly from physical retail stores or order from online retail stores on their own.

Market size of the automotive beauty and maintenance market

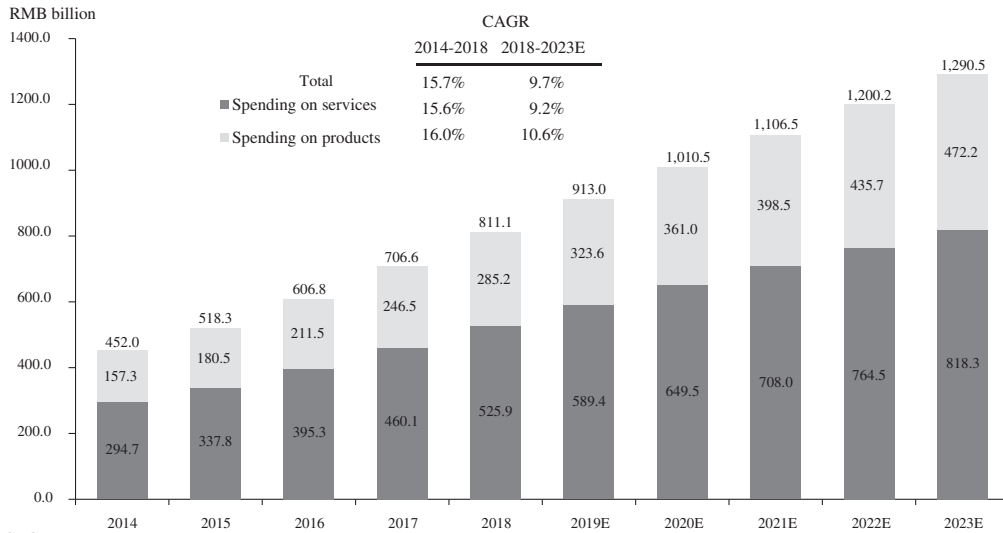
Based on different types of private consumption, the customer expenditures in the automotive beauty and maintenance market can be categorised into spending on either services or products in meeting different consumption demands.

With ongoing changes in consumer behavior and a shift towards higher automobile ownership, consumption in the automotive beauty and maintenance market have expanded significantly between 2014 and 2018. Total expenditures, including spending on both products and services, increased from RMB452.0 billion in 2014 to RMB811.1 billion in 2018, representing a CAGR of 15.7% between 2014 and 2018. Since an increasing number of cars is expected to stimulate private consumption in the automotive beauty and maintenance market, total expenditures on products and services are therefore expected to continue growing to RMB1,290.5 billion by 2023, with a CAGR of 9.7% between 2018 and 2023.

Total customer expenditures on products in the market increased from RMB157.3 billion in 2014 to RMB285.2 billion in 2018, representing a CAGR of 16.0% between 2014 and 2018. It is forecasted that along with the development of the automotive beauty and maintenance market, expenditures on products will continue growing to RMB472.2 billion by 2023, with a CAGR of 10.6% between 2018 and 2023.

INDUSTRY OVERVIEW

Consumer expenditure of automotive beauty and maintenance services and products, China, 2014-2023E



Source: CIC

In the automotive beauty and maintenance product market, based on the form of product, major products used in the automotive beauty and maintenance market can be categorised into aerosol products, liquid products, and cream products.

ANALYSIS OF AEROSOL PRODUCTS USED IN THE AUTOMOTIVE BEAUTY AND MAINTENANCE MARKET IN CHINA

Overview of aerosol products used in the automotive beauty and maintenance market

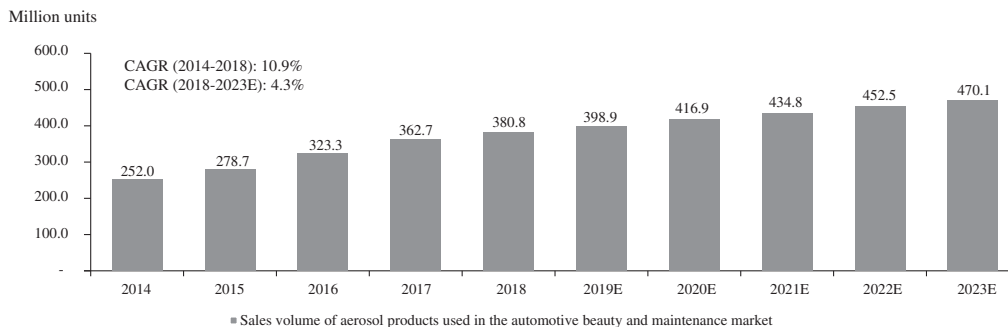
Aerosol products are a mixture of liquefied gas, propellant, solvent, and active ingredients that are packaged under pressure in a container that includes a valve.

Major aerosol products used in the automotive beauty and maintenance market include auto interior decoration cleaning products, engine & auto parts maintenance products, tire & wheel cleaning and care products, auto air conditioner cleaning products, brakes & auto parts cleaning products, glass cleaning products, and others.

Market size of aerosol products used in the automotive beauty and maintenance market

In keeping with the continued development of the automotive beauty and maintenance market, the total sales volume of aerosol products in this market increased significantly from 252.0 million units in 2014 to 380.8 million units in 2018, representing a CAGR of 10.9% between 2014 and 2018. Driven by the expansion of sales channels for aerosol products and increasing purchasing power enjoyed by consumers, the total sales volume of aerosol products used in the automotive beauty and maintenance market is forecasted to continue expanding at a CAGR of 4.3% between 2018 and 2023 to reach 470.1 million units by 2023.

Sales volume of aerosol products used in the automotive beauty and maintenance market, China, 2014-2023E

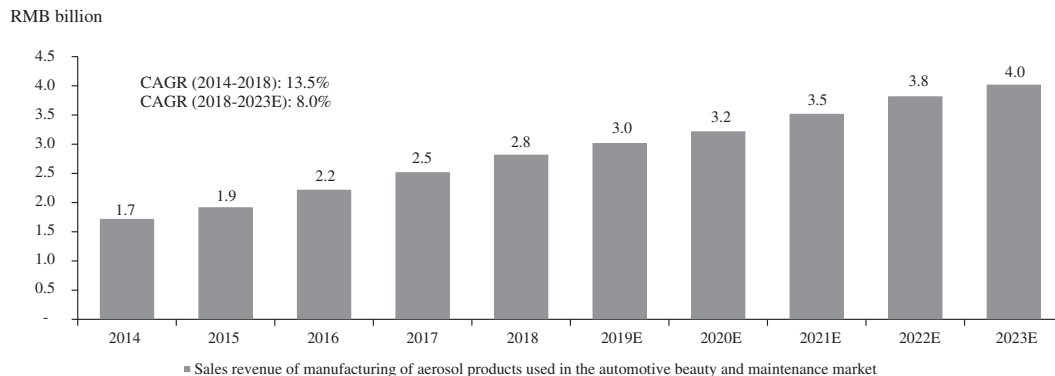


Source: China Packaging Federation, CIC

INDUSTRY OVERVIEW

In terms of the ex-factory price, the total sales revenue of manufacturing of aerosol products used in automotive beauty and maintenance market increased from RMB1.7 billion in 2014 to RMB2.8 billion in 2018, representing a CAGR of 13.5% between 2014 and 2018. With increasing procurement costs of major raw materials, the average price of final product is forecasted to slightly increase in the following years. Hence, with expanded sales volumes and an expected increase in price, the sales revenue of aerosol products used in the automotive beauty and maintenance market is expected to continue growing to RMB4.0 billion by 2023, with a CAGR of 8.0% between 2018 and 2023.

Sales revenue of the manufacturing of aerosol products used in the automotive beauty and maintenance market in terms of ex-factory price, China, 2014-2023E



Source: China Packaging Federation, CIC

Market drivers of the automotive beauty and maintenance market:

1) Increasing purchasing power of households in China

With increasing purchasing power, driven by the growing disposable incomes, more households in China will be able to purchase private passenger cars for the convenience of transportation, which will accordingly drive the automotive beauty and maintenance service market, as these services and related products are necessities for the continuous usage of passenger cars.

Given the steady economic growth and on-going urbanisation in China, annual per capita disposable incomes have been increasing, which indicates that consumers in China have gained greater purchasing power. The annual per capita disposable income of urban households is expected to increase with a CAGR of 6.9% between 2018 and 2023, and reach RMB54,906 by 2023; while the annual per capita net income of rural households is expected to increase to reach RMB21,399 by 2023, with a CAGR of 7.9% between 2018 and 2023.

Meanwhile, per capita consumption on transportation and communication, according to the National Bureau of Statistics of China, accounted for 13.5% of the per capita total consumption in 2018, and with the growing disposable incomes, this consumption is expected to continue increasing in the following years. Hence, with the increasing purchasing power, the sales volume of new passenger cars is expected to continue growing at a CAGR of 3.7% between 2018 and 2023, which will accordingly drive the demand for automotive beauty and maintenance services and products.

2) Expanded car parc and changing consumer behaviors

The total car parc in China has expanded steadily during the track record period. It is forecasted that with the continued growth in the sales volume of new automobiles, the total car parc will continue expanding to reach 350.7 million units by 2023, with a CAGR of 8.0% between 2018 and 2023. In particular, the share of the premium cars is forecasted to increase, as its sales volume as a percentage of the total sales volume of cars in China increased from 8.9% in 2014 to 12.7% in 2018. Considering the high-end parts and materials such as premium leather and paint used in premium cars, the owners of these cars are more aware of the importance of automotive beauty and maintenance. According to CIC, over 50% of premium car owners in China are used to purchase automotive beauty and maintenance services and products from external service providers, and they are also more willing to make regular purchase of automotive beauty and maintenance products such as spray paints, tire and wheel cleaning products, wax sprays, etc. Therefore, the expanded car parc, especially the increase in premium cars, will contribute to the continuous increasing sales volume of automotive beauty and maintenance products in China.

INDUSTRY OVERVIEW

3) Expansion of online sales channels

With the continued increase in the internet penetration rate and the rapid development of the e-commerce market in China, the expansion of online channels has provided great opportunities for the development of the automotive beauty and maintenance market. In addition to e-commerce platforms where car owners can easily purchase automotive beauty and maintenance products and have them delivered to their home, self-operated business platforms have emerged. It provides online-to-offline (O2O) services, that is, service reservation and physical store reservation online, and thus offers greater mobility and convenience for car owners, which in turn stimulate the growth of aerosol products used in the automotive beauty and maintenance market.

Future trends of aerosol products used in the automotive beauty and maintenance market

1) Upgrading of product variety and product features

With continuous advancement of technology in the automotive industry, automobiles have been upgraded continuously. Hence, aerosol products used for automotive beauty and maintenance purposes will likely be constantly upgraded in order to meet new demands arising from upgrades of automobile along with the evolving needs of consumers.

2) Increasing concentration in the manufacturing market of aerosol products

Considering the continuous need for upgrades to aerosol products, those manufacturers of aerosol products having certain proven advantages, including a strong financial base, R&D capabilities, and the ability to provide high-quality products, will likely remain the most qualified manufacturers in the market. The higher standards and requirements in the production of aerosols have prompted manufacturers of aerosol products to implement a full regime covering the supervision of production safety, and to invest in new professional equipment for manufacturing. Therefore, it has become much more difficult for small-sized manufacturers of aerosol products to effectively compete in the market. Under these circumstances, the number of aerosol products manufacturers is expected to decrease, and the market is expected to be more mature and more concentrated.

3) Expansion of creative sales channels

The manufacturing market of aerosol products is facing intense competition resulted from product homogeneity. In order to sustain profitability, manufacturers will continue to expand their sales channels through increasing cooperation with automotive service providers, such as automotive financing service providers and second-hand automobile service providers. These moves are all taking into consideration of the trend of the expansion of sales channels so as to attract more potential customers and thus make greater profits.

Market challenges of aerosol products used in the automotive beauty and maintenance market

1) Increasingly fierce competition

A high degree of product homogeneity has exacerbated the market competition in terms of price competition. Since aerosol products used in the automotive beauty and maintenance market tend to have similar product packaging and similarities in their functionality, market participants usually compete in terms of pricing, which ultimately intensifies competition among manufacturers and puts further pressure on the growth of existing companies in the market.

2) Risk of environment pollution in the process of recycling of aerosol products

The recycling of used aerosol products poses another challenge in the automotive beauty and maintenance market. Catalysts and propellants, which are used in the aerosol products, are categorised into fine chemicals and are therefore considered as hazardous waste when disposed of after use. Given the fact that the recycling process of hazardous waste carries an added risk of fire and explosions, the requirements and standards for the recycling of aerosol products are relatively higher than those of other products used in the automotive beauty and maintenance services, which therefore poses another challenge for the sales of aerosol products used in the automotive beauty and maintenance market.

3) Lack of high-skilled talents in R&D

The automotive beauty and maintenance market in China also faces a challenge given the relatively low skill level of employees for the research and development of new products. With the continued technological upgrading of automobiles, the demand for skilled personnel in developing better aerosol products for automotive beauty and maintenance service has also increased, which poses higher requirements for market participants to employ and retain qualified and high-skilled talents. Therefore, a lack of high-skilled employees in R&D department is considered to be an impediment to the continued development of the automotive beauty and maintenance market.

INDUSTRY OVERVIEW

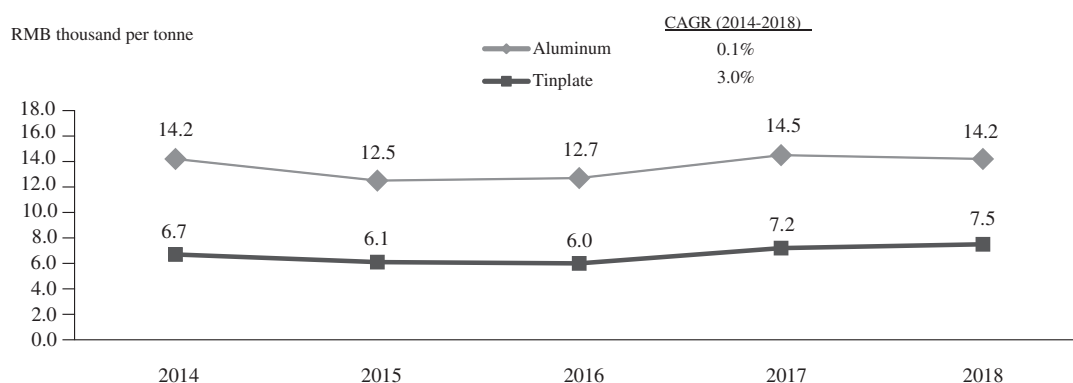
Analysis of raw material of the aerosol products used in the automotive beauty and maintenance market

Packaging cost is one of the major procurement costs for aerosol products manufacturers. The average market price of aluminum decreased from RMB14,206 per tonne in 2014 to RMB12,479 per tonne in 2015, and recovered to RMB14,241 per tonne in 2018, representing a CAGR of 0.1% between 2014 and 2018. The average market price of tinplate decreased from RMB6,665 per tonne in 2014 to RMB5,990 per tonne in 2016, and recovered to RMB7,497 per tonne in 2018, representing a CAGR of 3.0%.

The expected continuous economic growth in China will stimulate the demand for industrial products, such as aluminum and tinplate, thereby the average market price of aluminum and tinplate is expected to increase in the near future.

The table below outlines the average market prices of tinplate and aluminum in China during the period from 2014 to 2018:

Average market prices of tinplate and aluminum, China, 2014-2018



Note:

1. The average market price of tinplate is calculated based on the annual average price of tinplate produced by BaoGang (寶鋼) with a thickness of 0.25mm, 0.28mm, and 0.30mm, that is traded in the Shanghai market.
2. The average market price of aluminum is calculated based on the annual average spot price of A00 aluminum in China's domestic market.

Source: National Bureau of Statistics of China, CIC

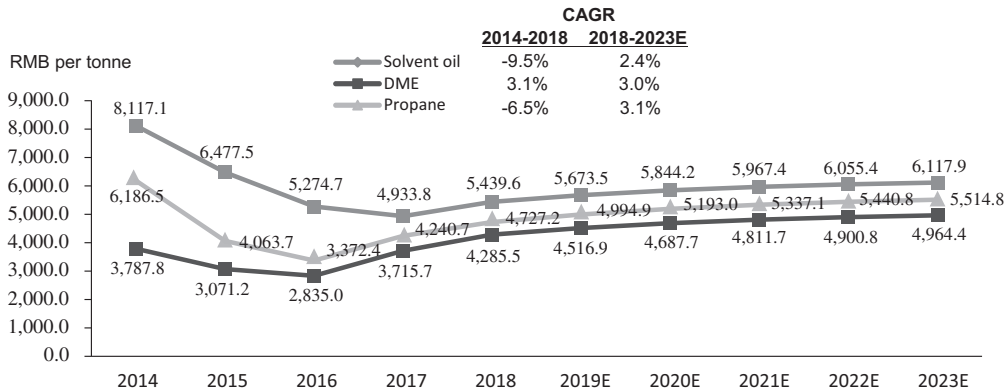
Solvent oil, DME, and propane are the major solvents used in the production of aerosol products. The average market price of solvent oil decreased significantly from RMB8,117.1 per tonne in 2014 to RMB4,933.8 per tonne in 2017, and then recovered to RMB5,439.6 per tonne in 2018, representing a negative CAGR of 9.5% between 2014 and 2018. Due to the drop in the price of global crude oil, the average market price of propane and DME decreased significantly from 2014 to 2016. The average market price of propane decreased from RMB6,186.5 per tonne in 2014 to RMB3,372.4 per tonne in 2016, and then recovered to reach RMB4,727.2 per tonne in 2018, representing a negative CAGR of 6.5% between 2014 and 2018. The average market price of DME decreased from RMB3,787.8 per tonne in 2014 to RMB2,835.0 per tonne in 2016, and recovered to RMB4,285.5 per tonne in 2018, representing a CAGR of 3.1% between 2014 and 2018.

Given the recovery of global crude oil prices since 2017, the average market prices of DME, solvent oil and propane are expected to be relatively stable with slight increase in the forthcoming years, registering CAGRs of 3.0%, 2.4%, and 3.1%, respectively, between 2018 and 2023.

INDUSTRY OVERVIEW

The table below outlines the average market prices of solvent oil, DME and propane in China during the period from 2014 to 2023:

Average market prices of solvents in aerosol products, China, 2014-2023E



Note:

- The average market price of propane is calculated based on the average ex-factory prices of propane produced by 39 factories in China.
- The average market price of solvent oil is calculated based on the annual average market prices of solvent oil (200#) traded in the Southern, Coastal, Eastern, Northern, and West-northern markets of China.

Source: Jin Yin Dao, CIC

COMPETITIVE LANDSCAPE OF THE MANUFACTURING OF AEROSOL PRODUCTS USED IN THE AUTOMOTIVE BEAUTY AND MAINTENANCE MARKET IN CHINA

The manufacturing of aerosol products used in the automotive beauty and maintenance market is relatively concentrated, with the leading five companies accounting for approximately 35.7% of the total market in terms of sales revenue in 2018.

In 2018, our Company is the leading market participant and ranked in the first place in the market. Its manufacturing business of aerosol products used in the automotive beauty and maintenance market generated a total revenue of HK\$417.5 million (equivalent to RMB363.2 million), accounting for approximately 13.2% of the total manufacturing market for these products in China.

The table below outlines the top 5 market participants in the market in terms of revenue derived from the manufacturing of aerosol products used in the automotive beauty and maintenance market:

Ranking of major competitors in terms of revenue, 2018

Ranking	Company	Listing status	Major products	Revenue (RMB million)	Market share, 2018
1	Our Company	Private	• Wax spray, air conditioner cleaning spray, throttle valve cleaner, carburetor cleaner, tire foam cleaner, brake cleaner, anti-fog spray, pitch cleaner, etc.	363.2*	13.2%
2	Company A	Private	• Spray paints, air conditioner cleaners, pitch cleaners, engine surface cleaners, carburetor cleaners, etc.	290.7	10.5%
3	Company B	Private	• Anti-fog spray, anti-rust lubricant, brake cleaner, wax spray, pitch cleaner, etc.	211.3	7.7%
4	Company C	Private	• Spray paint, carburetor cleaner, engine surface cleaner, air conditioner cleaner, etc.	63.4	2.3%
5	Company D	Public	• Spray paint, pitch cleaner, engine surface cleaner, carburetor cleaner, etc.	55.8	2.0%
			• Household air freshener spray		
	Sub-total			984.4	35.7%
	Other participants			1,774.5	64.3%
	Total			2,758.9	100.0%

*Note: The revenue of our Company is converted to RMB based on the exchange rate of 0.87

INDUSTRY OVERVIEW

Entry barriers of the manufacturing of aerosol products used in the automotive beauty and maintenance market

1) Licenses for manufacturers of aerosol products

The Chinese government requires that any company engaged in the manufacturing of aerosol products in China to have first obtained a production safety license for hazardous chemicals as issued by the Ministry of Emergency Management of the PRC. Given the increasingly stringent national regulations and requirements on the production of aerosol products, obtaining a manufacturing license is difficult and it creates an initial barrier for new entrants in the market.

2) Large initial capital investment

A large initial capital investment is required before establishing a factory for the manufacturing of aerosol products, such as investments in manufacturing premises, facilities, electrical appliances, personnel recruitment, and so on, which is potentially a large burden for new entrants. If new entrants are not strong financially, they may find it difficult to successfully operate their manufacturing business of aerosol products.

3) Established cooperation with raw material providers and distributors

A well-established cooperative relationship with raw material providers is essential in order to ensure the stable supply of raw materials with a consistent quality. Meanwhile, established cooperation with a strong network of distributors guarantees a continuous revenue stream and a stable number of purchasing orders. Hence, new entrants must be willing to commit a great deal of time in developing partnerships with raw material providers and downstream distributors.

4) Management of manpower and associated costs

The management of manpower and its associated costs remains an important factor when operating a manufacturing business for aerosol products. High labour costs, an aging workforce, labour shortages, and the rising costs of raw materials have all resulted in higher overall operating costs in the manufacturing industry, which continues to remain an entry barrier for new entrants in the market.

Key success factors of the manufacturing of aerosol products used in the automotive beauty and maintenance market

1) Large-scale production capability

The expansion of a manufacturer's production scale serves a number of purposes, including increasing a manufacturer's production efficiency, minimizing operating costs, and maximizing overall profitability. Considering the nature of the business involved in the manufacturing market for aerosol products, developing large-scale production capabilities remains a key success factor for manufacturers if they are to benefit from economies of scale and increase their overall competitiveness in the market.

2) Strong distribution network

The sales and marketing of aerosol products mainly relies on distribution networks that cover downstream markets. A strong capacity for the sound management of dealerships and stable cooperation with famous brand-owners is seen as a critical factor if manufacturer's aerosol products are to succeed in the market. Hence, companies with a long-term accumulation of distribution resources have easier access to downstream distribution channels, ultimately enabling them to be more competitive in the market.

3) Established brand reputation

The popularity of a product's brand has a direct and profound impact on the manufacturer's business development. Since the overall level of a brand's reputation demonstrates the trust and confidence of consumers, a good reputation can provide a huge boost to the sales volumes of branded aerosol products sold in the market. In addition, the reputation enjoyed by aerosol products can help a manufacturer better differentiate its products in what is considered to be a highly competitive. Hence, a strong brand reputation can be one of the major factors in determining the success of a company operating in the market.

Competitive advantages of our Company

Our Company is the leading manufacturer of automotive beauty and maintenance aerosol products in the PRC. Our Company is equipped with high-tech automated production facilities that enable our Company to have unparalleled production capabilities among its peers and be able to develop and produce a wide range of customised aerosol products. Our Company's stringent quality

INDUSTRY OVERVIEW

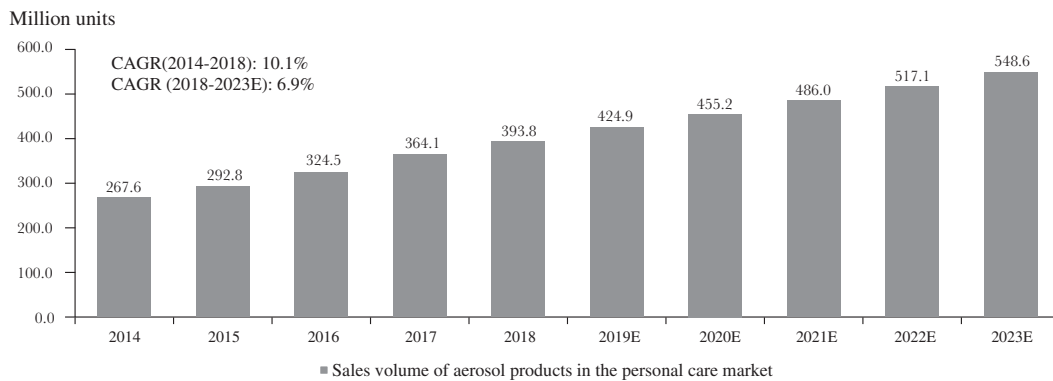
content standards, outstanding product quality, and advanced research and development capability, are essential to its well-established presence and excellent brand image in this competitive market. In addition, our Company has established a strong distribution network in the PRC and a long-term relationship with overseas companies, providing it with a competitive edge over its competitors in the PRC.

ANALYSIS OF AEROSOL PRODUCTS USED IN THE PERSONAL CARE MARKET

Given the advantages of aerosol products, including ease of use, portability, and hygiene, aerosol products have been widely used in the personal care market. The aerosol products used in the personal care market can be categorised into four segments based on the different usage on the body, including hair care products, facial care products, body care products, and foot care products.

Along with the increasing awareness of personal appearance and the development of personal care products market, the sales volume of aerosol products in this market increased significantly from 2014 to 2018, representing a CAGR of 10.1%. Driven by the expansion of distribution channels for aerosol products and with the increasing purchasing power enjoyed by consumers, the sales volume of aerosol products used in the personal care market is forecasted to rise continually at a CAGR of 6.9% between 2018 and 2023 to reach 548.6 million units by 2023.

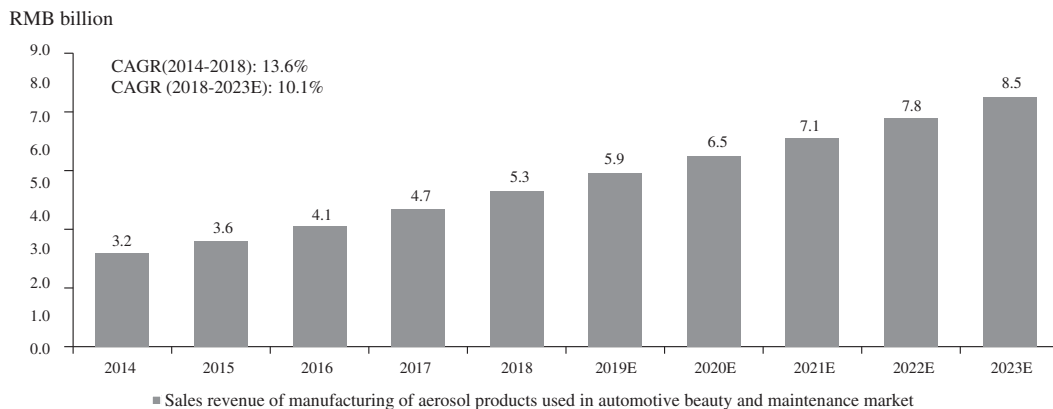
Sales volume of aerosol products used in the personal care market, China, 2014-2023E



Source: China Packaging Federation, CIC

In terms of ex-factory price, the total sales revenue of manufacturing of aerosol products used in the personal care market increased from RMB3.2 billion in 2014 to RMB5.3 billion in 2018, representing a CAGR of 13.6% between 2014 and 2018. Given the increased awareness on personal appearance, and an expected increase in per capita household income over the forecast period, the total sales revenue of manufacturing of aerosol products used in the personal care market in terms of ex-factory price is expected to continue increasing with a CAGR of 10.1% between 2018 and 2023, and reach RMB8.5 billion by 2023.

Sales revenue of manufacturing of aerosol products used in the personal care market in terms of ex-factory price, China, 2014-2023E



Source: China Packaging Federation, CIC

INDUSTRY OVERVIEW

Market drivers of aerosol products used in the personal care market

1) Increasing purchasing power of residents

Along with the economic growth in China, the annual per capita disposable income of urban households has increased from RMB28,844 in 2014 to RMB39,251 in 2018, indicating that consumers in China have gained greater purchasing power. According to National Bureau of Statistics of China, per capita cash spending on personal care products increased from RMB124.4 in 2014 to RMB213.9 in 2018. Thus, the increase of purchasing power of residents has stimulated consumer spending on the personal care products, which provides more opportunities for the growth of aerosol products used in the personal care market.

2) Increasing awareness of personal appearance

With social and business activities more accessible and popular among the females in China, girls and women have paid more attention on their personal appearance in order to make a good impression. Therefore, the consumption demand for personal care products, such as facial care, body care, and hair care products, among the females are expected to increase along with their increasing disposable incomes. As aerosol products are commonly used in the personal care markets, the growth in the personal care market will drive the sales of aerosol products used in the personal care market.

3) Expansion of distribution channels

In the internet era, according to National Bureau of Statistics of China, the penetration rate of internet users in China increased from 47.9% in 2014 to 59.6% in 2018, which has helped to boost the development of the e-commerce market in China. The significant growth in online market creates more opportunities for the sales of aerosol products in China, and enables the manufacturers to practice their sales business in a more efficient and effective way.

AUTOMOTIVE BEAUTY AND MAINTENANCE MARKET AND PERSONAL CARE MARKET IN JAPAN

Overview of the automotive beauty and maintenance market in Japan

Total sales revenue of automotive beauty and maintenance products sold in Japan increased from HKD35.4 billion in 2014 to HKD37.0 billion in 2018, representing a CAGR of 1.1%. Along with the development of automobile market in Japan and the expansion of retail sales channels for automotive beauty and maintenance products, total sales revenue of automotive beauty and maintenance products is expected to continue increasing to reach HKD41.1 billion by 2023, with a CAGR of 2.1% between 2018 and 2023.

China is the major importer of aerosol products to Japan's automotive beauty and maintenance products market. In 2018, the import volume from China accounted for a share of approximately 30% to 40% of the total import volume of Japan's aerosol products used for automotive beauty and maintenance market.

Overview of the personal care market in Japan

Total sales revenue of personal care products in Japan grew from HKD156.8 billion in 2014 to HKD217.0 billion in 2018, registering a CAGR of 8.5%. The continued demand from inbound tourists and increasing household expenditure on personal care products are the key factors contributing to the future growth of Japan's personal care products market. The sales revenue of this market is expected to continue growing to reach HKD309.8 billion by 2023, with a CAGR of 7.4% between 2018 and 2023.

China is one of the major importers of aerosol products to Japan's personal care products market. In 2018, the import volume of personal care aerosol products from China accounted for approximately 10% to 15% of the total import volume of personal care aerosol products in Japan.

REGULATORY OVERVIEW

Our business operations are subject to extensive supervision and regulation by the PRC government. This section summarises the major laws, rules and regulations which are material to our business.

LAWS AND REGULATIONS ON ENTERPRISES WITH FOREIGN INVESTMENT

On 29 December 1993, the Standing Committee of the National People's Congress (the "NPCSC") promulgated the Company Law of the PRC* (中華人民共和國公司法) which became effective on 1 July 1994 and subsequently revised on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 respectively; the provisions of this law also apply to the foreign invested companies with limited liabilities.

On 12 April 1984, the NPCSC promulgated the Law of the PRC on Foreign-Capital Enterprises* (中華人民共和國外資企業法) ("**Foreign Enterprise Law**") which was revised on 31 October 2000 and 3 September 2016 respectively; the State Council of the PRC (the "**State Council**") issued the Implementation Details of the Foreign Enterprise Law of the PRC* (中華人民共和國外資企業法實施細則) on 12 December 1990 which was subsequently revised on 12 April 2001 and 19 February 2014 respectively. MOFCOM issued the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises* (外商投資企業設立及變更備案管理暫行辦法) on 8 October 2016 which was subsequently revised on 30 July 2017 to outline provisions on the establishment, organisation structure, operation, annual inspection, foreign exchange administration and labour issues of the foreign invested enterprises. The relevant enterprises are governed by the above laws and regulations.

The domestic subsidiaries of our Group are regulated by the above laws and regulations.

Dividend Distribution

In light of the Foreign Enterprise Law which was issued by the NPCSC on 12 April 1984 and revised on 31 October 2000 and 3 September 2016, the Regulation of the PRC on the Management of Foreign Exchanges* (中華人民共和國外匯管理條例) which was issued by the State Council on 29 January 1996 and revised on 14 January 1997 and 5 August 2008, the Provisions on Settlement, Sales and Payment In Foreign Exchange* (結匯、售匯及付匯管理規定) issued by the People's Bank of China on 20 June 1996, after the corporate income taxes have been paid in accordance with the provisions of the tax law of the PRC, as resolved by the shareholders and after withdrawing the necessary funds, the net profit can be legally remitted overseas.

In line with the Implementation Details of the Foreign Enterprise Law of the PRC issued by the State Council on 12 December 1990 and subsequently revised on 12 April 2001 and 19 February 2014 respectively, the reserve funds and employee rewarding and benefit funds shall be withdrawn from the profits of the foreign enterprises after deducting income taxes. The reserve fund to be withdrawn shall not be less than 10% of the after-tax profit and when the accumulative reserve fund reaches 50% of the registered capital, such withdrawal may be stopped. The ratio of employee bonuses and welfare are to be determined by the foreign enterprise. Profits may not be distributed before losses in previous fiscal years are accounted for; undistributed profits in previous fiscal years may be distributed together with the profits available for distribution in the current fiscal year.

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According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Invasion with Respect to Taxes on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Tax Treaty**”) which was signed between the Mainland government and Hong Kong government on 21 August 2006, if a Hong Kong resident who beneficially owns 25% or more interest in a PRC enterprise, the applicable withholding tax rate for dividends paid by the PRC enterprise to the Hong Kong resident is 5%; if the PRC enterprise pays dividends to a Hong Kong resident holding less than 25% of their equity, the withholding tax rate is 10%.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses in Tax Agreements* (國家稅務總局關於執行稅收協定股息條款有關問題的通知) which was promulgated on and took effect from 20 February 2009 where dividend is being paid to a tax resident of the other party of the tax agreement, the following requirements should be met in order for said tax resident to be entitled to being taxed at a tax rate specified in the tax agreement: (i) such tax resident who obtains dividends should be a company as provided in the tax agreement; (ii) the owner’s equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reaches a percentage specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such a tax resident, at any time during the twelve months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.

Dividend distribution of domestic subsidiaries of our Group is governed by the above laws and regulations.

LAWS AND REGULATIONS ON OUR BUSINESS

According to the Guidance Catalogue of Industries for Guiding Foreign Investment* (外商投資產業指導目錄 (2017年修訂)) (the “**Catalogue**”) which was amended and promulgated by the MOFCOM and the National Development and Reform Commission (the “**NDRC**”) on 28 June 2017 and was effective on 28 July 2017, our Group’s current business involves chemical raw materials and chemical manufacturing, and is one of the foreign investment industries encouraged by the Chinese government.

In accordance with provisions of the Administrative Regulations on the Administration of Production Licenses for Industrial Products of the PRC* (中華人民共和國工業產品生產許可証管理條例), which was promulgated by the State Council on 9 July 2005 and came into effect on 1 September 2005 and the Implementing Measures for the Administrative Regulations on the Administration of Production License for Industrial Products of the PRC* (中華人民共和國工業產品生產許可証管理條例實施辦法) which were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the “**AQSIQ**”) on 15 September 2005 and revised on 21 April 2010, 21 April 2014 and came into effect on 1 August 2014, the PRC implements a production license system in respect of the manufacturing of important industrial products. No enterprise is permitted to produce the industrial products covered by the production license system without obtaining the industrial production permit.

REGULATORY OVERVIEW

No organisation or individual is allowed to sell or use the product for which no production permit is obtained in its business activity. According to these provisions, the motor vehicle brake fluid produced by our Group is required to obtain the production license of the Guangdong Provincial Bureau of Quality and Technical Supervision, and our Group has obtained such permit.

Based on these regulations, to obtain the industrial production permit, an enterprise shall meet the following conditions:

- have a business certificate;
- have professionals corresponding to the industrial products produced;
- have the production condition, inspection and quarantine means corresponding to the industrial products produced;
- have the technical documents and technological documents corresponding to the industrial products produced;
- have an effective quality management system and responsibility system;
- ensure that the industrial products comply with the relevant PRC, industrial standards and the requirements for personal health and personal and property safety; and
- comply with the PRC industrial policy and be free of backward technology, high energy consumption, environment pollution and resource wastage which have been expressly washed out and forbidden by the state.

According to the Product Safety Law of the PRC* (中華人民共和國安全生產法) issued by the NPCSC on 29 June 2002 and revised on 27 August 2009 and 31 August 2014 and became effective on 1 December 2014, and the Regulation on Work Safety Licenses* (安全生產許可證條例) issued by the State Council on 13 January 2004 and revised on 29 July 2014, the government implements a production safety permit system for mining enterprises, construction companies, and hazardous chemicals, fireworks and civilian-use explosives production enterprises. If the above enterprises fail to obtain a production safety license, they must not engage in the relevant production activities. Before the above enterprises carry out any production, they shall apply to the production safety license issuance and management authority to obtain a production safety license. Our Group falls under the type of enterprises mentioned above.

According to this law, if an enterprise would like to obtain a production safety license, it shall meet the following conditions:

- establish and improve the safety production responsibility system, and formulate complete production safety regulations and operating procedures;
- ensure that safety inputs meet production safety requirements;

REGULATORY OVERVIEW

- set up production safety management agencies and staff with full-time safety production management personnel;
- ensure that the principle responsible person and production safety management personnel have passed the relevant assessments;
- ensure that the special operators are qualified by relevant competent department heads to obtain qualification certificates for special operations;
- ensure that employees have passed the production safety education and training;
- participate in work-related injury insurance according to law and pay premiums for employees;
- ensure that plants, workplaces and safety facilities, equipment and processes meet the requirements of the relevant production safety laws, regulations, standards and procedures;
- provide occupational hazards prevention and control measures, and provide employees with labour protection articles that meet national standards or industry standards;
- conduct safety assessment according to the relevant laws, regulations, standard and procedures;
- formulate major hazard detection, assessment, monitoring measures and emergency plans;
- formulate emergency rescue plans for production safety accidents, emergency rescue organisations or emergency rescue personnel, equipped with necessary emergency rescue equipment; and
- satisfy other conditions stipulated by the relevant laws and regulations.

According to the Regulations on the Safety Administration of Hazardous Chemicals* (危險化學品安全管理條例) which were promulgated by the State Council on 26 January 2002 and became effective on 15 March 2002, and revised on 16 February 2011 and 7 December 2013, and the Measures for the Administration of Registration of Hazardous Chemicals* (危險化學品登記管理辦法) which was promulgated by the State Administration of Work Safety Supervision on 1 July 2012 and became effective on 1 August 2012, the hazardous chemical production enterprises and importing enterprises which import hazardous chemicals listed in the Chemical Hazardous Chemicals Catalogue* (危險化學品目錄) shall go through registration according to the provisions of the Regulations on the Safety Administration of Hazardous Chemicals. If registered enterprises fail to handle the registration of dangerous chemicals or change their registered varieties, or go through the formalities of changing the registration content of a dangerous chemical if a dangerous chemical has a new hazardous characteristic, it shall be ordered to make a correction and a fine of up to RMB 50,000 may be imposed; if the relevant enterprises refuse to make a correction, a fine between RMB 50,000 and RMB 100,000 shall be imposed; in serious cases, it would be ordered to suspend production for rectification.

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Pursuant to the Circular on Matters Related to Cosmetics Production Permit* (關於化妝品生產許可有關事項的公告) promulgated by the China Food and Drug Administration on 15 December 2015 and effective on the same day, in order to engage in production of cosmetic products, one shall obtain a “cosmetics production permit”* (化妝品生產許可證) (“**Cosmetics Production Permit**”) approved by the food and drug administrative authorities. The validity period of the Cosmetics Production Permit is 5 years. The validity period of the permit of the cosmetics production enterprises which have already obtained the National Industrial Product Manufacturing Permit* (全國工業產品生產許可證) issued by the AQSIQ and the Cosmetics Production Enterprise Hygiene Permit* (化妝品生產企業衛生許可證) issued by the provincial food and drug administration shall be automatically extended to 31 December 2016. Our Group is also engaged in the manufacturing and sales of personal care products including cosmetics products.

According to the Disinfection Product Manufacturing Enterprise Health License Regulations* (消毒產品生產企業衛生許可規定) issued on 16 November 2009 by the Ministry of Health of the PRC and became effective on 1 January 2010, the companies and individuals for disinfectant manufacturing in the production and distribution of disinfectant products in China must apply for the “license for disinfectant manufacturing”* (消毒產品生產企業衛生許可證) in accordance with the requirements of these regulations. Some of our products are disinfectant products such as hand wash products.

The NPCSC promulgated on 22 February 1993 and revised on 8 July 2000, 27 August 2009 and 29 December 2018 the Law on Product Quality of the PRC* (中華人民共和國產品質量法), providing that all the production and sale activities conducted within the PRC shall follow this law.

In light of the above law, if injury to other persons or damage their assets is caused as a result of the product’s defect, the sufferer may demand compensation against producer or the seller of such product. If the liability lies with the seller and the producer made the relevant compensation, then the producer shall have a right to demand compensation from the seller.

If a product not complying with state standards or industrial standards ensuring the health or safety of people and assets is produced and sold, such production and sale would be ordered to stop; such product would be forfeited and a fine would be imposed; the illegal revenue would be forfeited until the relevant business permit is withdrawn; if the activity constitutes a crime, then criminal liability would be imposed.

According to the Law on Product Quality of the PRC, sellers shall have the following responsibilities:

- implement the inspection and acceptance system for any goods received, verify the product certificates and other markings;
- adopt measures to maintain the quality of the products sold;
- forbid the selling of the products expressly washed out and prohibited by the PRC as well as invalid or degenerative products;

REGULATORY OVERVIEW

- ensure that the markings of the products sold shall comply with the relevant provisions of the PRC or the province;
- forbid the fabrication of the origin of production or fabricate or fraudulently use the industrial plant names or locations of others; and
- refrain from mixing inferior goods with better goods or counterfeit products which conform with relevant laws during the sales process.

in line with this law, producers shall have the following responsibilities:

- be responsible for the quality of the products they produce;
- shall not produce products expressly washed out by the PRC;
- forbid the fabrication of the origin of production or fabricate or fraudulently use the industrial plant names or locations of others;
- refrain from mixing inferior goods with better goods or counterfeit products which conform with relevant laws during the production process;
- ensure the genuineness of the markings on the products and the packing; and
- ensure that the packaging of dangerous goods that are fragile, explosive, flammable, toxic, corrosive, radioactive, products that should be kept upright during storage and transportation and other products with special requirements must meet relevant requirements and warning markings should be provided in line with the relevant provisions of the PRC; and that notes for storage and transportation shall be marked clearly.

The Anti-Unfair Competition Law of the PRC* (中華人民共和國反不正當競爭法) was promulgated on 2 September 1993 and became effective on 1 December 1993 and was revised on 4 November 2017. Violating this law would incur a fine; if the case is serious, the business certificate may be withdrawn and criminal liability may be imposed. According to this law, business operators are not allowed to carry on market transactions and damage the competitors with the following unfair competition means:

- infringe the registered trademarks or commercial secrets of others;
- make false promotion by way of advertisement or other means, or fabricate or spread false facts to damage the credit of competitors or their goods; and
- other unfair means including commercial bribery, forming cartels, price fixing and offering gifts or reward as kickbacks for sales.

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The NPCSC promulgated the Law on Protection of the Rights and Interests of Consumers* (中華人民共和國消費者權益保護法) on 31 October 1993, which became effective on 1 January 1994 and was revised respectively on 27 August 2009 and 25 October 2013. According to this law, the consumers enjoy the rights of not having their personal safety and property harmed during the process of purchasing, using and accepting services; the consumers have the right to demand that business operators ensure the safety of their property and personal safety.

The business carried out by the domestic subsidiaries of our Group involves the licenses listed in the above laws and regulations, and the relevant businesses shall be regulated by the above laws and regulations.

LAWS AND REGULATIONS ON TAXATION

According to the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法) (the “**EIT Law**”) promulgated by the NPC on 16 March 2007 and revised on 24 February 2017 and 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) (the “**EIT Implementation Rules**”), which came into effect on 1 January 2008, enterprises are classified as resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises established in China under Chinese law or established in accordance with the laws of foreign countries (regions) but actually having their management in China. Non-resident enterprises refer to those enterprises established in accordance with the laws of foreign countries (regions) and that their actual management is not located in China but have establishments or offices in the territory of China, or those who have no establishments or offices in the territory of China but has incomes sourced in China. PRC resident enterprises pay enterprise income tax at the rate of 25% while a non-resident enterprise without a permanent establishment in the territory of China, or no actual connection between the acquired income and its establishments or offices in China, shall calculate its enterprise income tax on the basis of 10% of the income derived from the PRC.

According to the EIT Law, the EIT tax rate of a high-tech enterprises is 15%. Pursuant to the Measures for the Administration of the Recognition of High-tech Enterprises* (高新技術企業認定管理辦法), effected on 1 January 2008 and amended on 29 January 2016, the certificate of a high-tech enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the annual status report on the “High-tech Enterprise Accreditation Network” concerning intellectual property rights, scientific research personnel, research and development expenses and operating income of the previous year. Guangzhou Botny was entitled to such preferential tax rate of 15% during the Track Record Period.

The Provisional Regulations of the PRC on Value-added Tax* (中華人民共和國增值稅暫行條例) was promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994 which were subsequently amended on 10 November 2008, 6 February 2016, and 19 November 2017 respectively. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011)* (中華人民共和國增值稅暫行條例實施細則(2011年修訂)) were promulgated by the Ministry of Finance and State Administration of Taxation on 25 December 1993 and subsequently amended on 15 December 2008, 28 October 2011 and came into effect on 1 November 2011 (collectively, the “**VAT Law**”). The VAT Law applies to domestic and overseas

REGULATORY OVERVIEW

enterprises engaged in the business of sales of goods, provision of processing and maintenance services and import of goods within China. Except for sales service, VAT for intangible assets is 6%, and VAT for sales or import of goods of special category is 11%, 17% of VAT is applicable to the business of sales of goods, provision of processing and maintenance services and import of goods.

In the light of the Provisional Rules of the PRC on Stamp Duty promulgated by the State Council* (中華人民共和國印花稅暫行條例) on 6 August 1988 and became effective on 1 October 1988, and the Implementation Details for the Provisional Rules of the PRC on Stamp Duty issued by the Ministry for Finance and the General Taxation Administration of the State* (中華人民共和國印花稅暫行條例實施細則) on 29 September 1988, the organisations and individuals creating and obtaining the following taxable documents within the PRC are subject to stamp duty according to the relevant regulations:

- contracts or credentials relating to procurement and sales, processing, construction, assets rent, cargo transportation, warehousing, loan, assets insurance and technology;
- property rights transfer documents;
- business account books;
- rights and permit certificates; and
- other taxable credentials as decided by the Ministry for Finance.

The domestic subsidiaries of our Group shall pay taxes in accordance with the tax and tax rates specified in the above laws and regulations and shall be regulated by the above laws and regulations.

Urban maintenance and construction tax and education surcharge

In line with the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Education Surcharges from Chinese to Foreign-funded Enterprises and Citizens* (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) issued on 18 October 2010 and became effective on 1 December 2010. Since 1 December 2010, the Provisional Regulations on the City Maintenance and Construction Tax of the PRC* (中華人民共和國城市維護建設稅暫行條例) and the Interim Provisions on the collection of Education Surcharges of the PRC* (中華人民共和國徵收教育費附加的暫行規定) shall apply to foreign invested enterprises, foreign enterprises and individual expatriates. According to the Provisional Regulations on City Maintenance and Construction Tax of the PRC* (中華人民共和國城市維護建設稅暫行條例) issued on 8 February 1985 and revised on 8 January 2011 as well as the Notice on Collecting City Maintenance and Construction Tax of the State General Taxation Administration* (國家稅務總局關於城市維護建設稅徵收問題的通知) which was issued on 12 March 1994 and became effective on 12 March 1994, all the organisations and individuals that pay product tax, VAT and business tax are subject to urban maintenance and construction tax.

The city maintenance and construction tax shall be based on the excise duty, VAT and business tax actually paid by the tax payers and paid along with the excise duties, VAT and business tax. Further, the tax rates for tax payers in urban areas, township or other places shall be 7%, 5% and 1%

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respectively. In line with the Interim Provisions Regulations on the Collection of Educational Surcharges* (徵收教育費附加的暫行規定) which was promulgated on 28 April 1986 and became effective on 1 July 1986 and revised on 8 January 2011, all the organisations and individuals that pay excise duty, VAT and business tax are subject to education surcharge. The education surcharge shall be based on the excise duties, VAT and business tax actually paid by the tax payers and paid along with the excise duties, VAT and business tax at a rate of 3%.

The domestic subsidiaries of our Group are required to pay the city maintenance and construction tax and education surcharges at the rates determined by the above-mentioned laws and regulations, and are subject to the above laws and regulations.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

The NPCSC promulgated the Patent Law of the PRC* (中華人民共和國專利法) on 12 March 1984, which was subsequently revised on 4 September 1992, 25 August 2000 and 27 December 2008, the State Council issued the Implementation Details of the Patent Law of the PRC* (中華人民共和國專利法實施細則) on 19 January 1985, which was revised on 21 December 1992, 15 June 2001, 28 December 2002 and 9 January 2010, the above are aimed at protecting the legitimate rights and interests of the patent owners, encouraging invention and creation and improving the innovation capability. Based on this law, any use of the patent without the permit of the patent owner constitutes an infringement of the patent and the violator would be ordered to stop such infringement immediately and bear the loss caused to the patent owner.

The NPCSC promulgated the Trademark Law of the PRC* (中華人民共和國商標法) on 23 August 1982 which was subsequently revised on 22 February 1993, 27 October 2001 and 30 August 2013 aiming at enhancing trademark administration, protecting the right to exclusive use, requiring producers and business operators to ensure the quality of goods and service, maintaining the credit of trademark so as to ensure the interests of consumers, producers and business operators. According to this law, the following activities constitute the infringement of the registered trademarks:

- using the same or similar trademark on the goods or the same category or similar goods without the permission by the trademark owner;
- the sale of goods infringing the exclusive right of the registered trademark;
- fabricating or forging the registered trademark of others or selling fabricated or forged registered trademark;
- changing a registered trademark and launching the goods with such changed trademark in the market without the permission by the trademark owner; and
- causing other damages to the exclusive rights of the other's registered trademark.

Any violator of the exclusive right of the registered trademark would be ordered to immediately stop the infringement activities with a fine imposed and ordered to make compensation to the victim, the department in charge of industry and commerce will forfeit and destroy the infringing goods, and the tools used to make them and to forge the registered trademark.

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The domestic subsidiaries of our Group has registered a number of registered trademarks in China and owns a number of patents, the above laws and regulations apply to our group.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE ADMINISTRATION

RMB is the legal currency of China and, as a result of foreign exchange control, it cannot be freely exchanged to foreign currency. The Foreign Exchange Administration, as authorised by the People's Bank of China, is responsible for dealing with all the foreign exchange related issues including implementation of the foreign exchange control. In light of Regulations of the PRC on the Management of Foreign Exchanges* (中華人民共和國外匯管理條例) issued by the State Council on 29 January 1996, which was revised on 14 January 1997 and 5 August 2008, the international revenues, expenditures and transfer are divided into current account and capital account. The foreign exchange under capital account shall be examined and approved by the foreign exchange administration while no such requirement exists for the current account.

The PRC has no restrictions on current international payment and transfer, the international revenue and expenditure statistics and declaration system is implemented instead. The foreign exchange expenditure under current account shall be paid with its own foreign exchange or be bought from financial institutions running foreign exchange settlements and sales by producing the effective vouchers according to the regulations on the payment and purchase in foreign exchange provided by the department in charge of foreign exchange of the State Council. The foreign exchange revenue and expenditure under current account shall be provided with genuine and legitimate transactional basis. The state regulations shall be approved by the competent authorities prior to the registration of foreign exchange. Capital account foreign exchange and settlement funds shall be used in accordance with the purposes approved by the competent authorities (including the foreign exchange administration).

On 20 June 1996, the People's Bank of China issued the Provisions on the Settlement, Sales and Payment in Foreign Exchange* (結匯、售匯及付匯管理規定) which became effective on 1 July 1996, while repealing the other restrictions in the exchange under current account, it continues to implement existing restrictions on the foreign exchange transaction under capital account.

Since 4 January 2006, the People's Bank of China improved the mode of forming the middle exchange rate of RMB; it introduced the quotation trading mode in the inter-bank spot foreign exchange market while the matching mode is maintained. Further, in the above market, the market maker rule is introduced to provide liquidity to the market. After introduction of the quotation trading mode, the matching mode of the middle rate between RMB and US dollar is changed from that decided by the closing price of the matching method in the inter-bank spot foreign exchange market to: the People's Bank of China authorising the Foreign Exchange Trading Center of China to decide and publish the middle rate between RMB and US dollar by way of quotation at 9:15 on each working day.

The settlement and payment of foreign exchange arrangements of the domestic subsidiaries of our Group are regulated by the above laws and regulations.

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LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

In the light of the Environmental Protection Law of the PRC* (中華人民共和國環境保護法) (“**Environment Protection Law**”) promulgated by the NPCSC on 26 December 1989 and revised on 24 April 2014, and the environmental quality standards of the PRC made by the department in charge of environmental protection of the PRC Council, the governments of the provinces, autonomous regions and municipalities may work out the local environment quality standards for those items not covered by the environmental quality standards of the state, which shall be filed with the department in charge of environmental protection of the State Council.

It is provided in the Environment Protection Law that, the organisations causing environmental pollution and producing other social effects of pollution must take environmental protection into their plans, establish environmental protection liability systems and take effective measures to prevent and cure waste gases, waste water, waste residues, dust, stink gases, radioactive substances as well as the pollution and harm from noise, vibration and electromagnetic radiation.

Design of pollution prevention and control must be provided for construction projects; the pollution prevention and control facilities in the construction projects must be designed, constructed and put into operation simultaneously with the principal projects. Only after the pollution prevention and control facilities have been accepted by the administrative department in charge of approving the environmental impact report, may the construction project be put into operation or use.

Pursuant to the Law of the PRC on Prevention and Control of Atmospheric Pollution* (中華人民共和國大氣污染防治法) promulgated by the NPC Standing Committee on 5 September 1987 and as amended on 26 October 2018, entities the production/operation of which have an impact on atmospheric environment shall conduct the environmental impact assessment and submit the environmental impact assessment documents to the competent authority of environmental protection. The pollutants discharged into the air shall comply with relevant discharge standards and be within the limits under the volume control target requirements of key atmospheric pollutants. The competent department of environmental protection shall under the State Council or the people’s governments of provinces, autonomous regions and municipalities formulate the atmospheric environmental quality standards.

Pursuant to the Law of the PRC on Prevention and Control of Water Pollution* (中華人民共和國水污染防治法) promulgated by the NPC Standing Committee on 11 May 1984 and as amended on 15 May 1996, 28 February 2008 and 27 June 2017, and came into effect on 1 January 2018, the environmental impact assessment shall be conducted on new construction, reconstruction and construction expansion projects or other installations on water which directly or indirectly discharge pollutants into the water as defined by the law. The water pollution prevention and treatment facilities of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the said construction project. The water pollution prevention and treatment facilities shall comply with the requirements of the approved or filed environmental impact assessment documents.

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Pursuant to the Guangdong Province Work Programme on the Comprehensive Treatment and Emission Reduction on Volatile Organic Compounds (2018-2020)* (廣東省揮發性有機物 (VOCs) 整治與減排工作方案 (2018-2020年)) published on 10 April 2018, government of the Guangdong Province focuses on VOC emission control in vehicle manufacturing, refitted vehicle manufacturing, automotive parts and accessories manufacturing and other fields and encourages enterprises to use water-based, VOC-low environmentally friendly paint and coating products to replace those solvent-based paint or coating products used for vehicles maintenance and repair industry.

The business of domestic subsidiaries of our Group involves environmental protection matters and shall be regulated by the above laws and regulations.

LAWS AND REGULATIONS ON EXPORT

In line with the Foreign Trade Law of the PRC* (中華人民共和國對外貿易法) which was issued on 12 May 1994 and was revised on 6 April 2004 and 7 November 2016, foreign trade operators engaged in cargo or technology import or export shall register with the department in charge of foreign trade; if not, the imported or exported cargo will not be cleared by customs.

Based on the Regulations of the PRC on the Administration of Import and Export of Goods* (中華人民共和國貨物進出口管理條例) promulgated by the State Council on 10 December 2001, some imported cargos are managed by way of quota, others with a permit. The catalogue of the imported cargos with limit is devised, adjusted and published by the department in charge of foreign economy and trade in collaboration with the relevant departments of the State Council.

According to Measures for the Administration of License for the Export of Goods* (貨物出口許可證管理辦法) revised by MOFCOM on 7 June 2008, which took effect on 1 July 2008, exported cargos limited by quota should acquire the relevant permits. The MOFCOM in collaboration with the General Administration of Customs, shall be responsible for making, adjusting and publishing the Catalogue for Goods Subject to the Administration of Export License* (出口許可證管理貨物目錄). Importing or exporting cargos beyond the permit's approved level would incur criminal liability under the relevant provisions regarding smuggling or illegal business operation in the Criminal Law; if no criminal liability is involved, the punishment will be applied on the basis of the relevant provisions in the Customs Law of the PRC* (中華人民共和國海關法); the department in charge of foreign related economy and trading of the State Council may also suspend or even withdraw the relevant permits for foreign trading operation.

The subsidiaries of our group have export businesses, and these export businesses are subjected to provisions of the above-mentioned customs laws and regulations.

LAWS AND REGULATIONS ON LABOUR AND SAFETY

Our Group must abide by various laws and regulations governing labour and safety, including the Labour Law of the PRC* (中華人民共和國勞動法), the Labour Contract Law of the PRC (中華人民共和國勞動合同法), the Production Safety Law of the PRC* (中華人民共和國安全生產法), the Regulations on Occupational Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance* (失業保險條例), the Trial Measures for Maternity Insurance of Enterprise Employees* (企業職工生育保險試行辦法), the Provisional Method for Social Insurance Registration Administration*

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(社會保險登記管理暫行辦法), the Provisional Regulation on Collection of Social Insurance Premium* (社會保險費征繳暫行條例), the Administrative Regulations on Mutual Accumulation Fund* (住房公積金管理條例) as well as other relevant laws and regulations issued the government bodies of China from time to time.

According to the Labour Law of the PRC* (中華人民共和國勞動法) and the Labour Contract Law of the PRC* (中華人民共和國勞動合同法), Our Group needs to enter into labour contracts with all employees in writing. Our Group needs to pay salaries to the employees not lower than the local minimum salary standard. Our Group also need to provide labour safety and hygiene conditions complying with the relevant regulations and standards.

According to the provisions in the Production Safety Law of the PRC* (中華人民共和國安全生產法), our Group shall ensure a safe production environment complying with the relevant laws, administrative regulations, state standards and industrial standards. Our Group shall provide safety training for the employees; the safety equipment design, manufacture, installation, use, inspection and maintenance shall all comply with the relevant state or industrial standards. Further, our Group shall provide labour protection equipment complying with the PRC or industrial standards to the employees.

According to the Administration of Housing Accumulation Funds* (住房公積金管理條例) promulgated on 24 March 2002, our Group shall register with the center in charge of the administration of the mutual accumulation fund and open bank accounts for mutual accumulation fund for the employees. Our Group needs to pay the mutual accumulation fund for the employees. Particularly, our Group shall register with the department in charge of such fund and within 20 days after registration, open bank accounts at the designated bank for them by examining documents produced by the Housing Accumulation Fund Management Center. For newly recruited employees, within 30 days of their recruitment, our Group shall register with the Housing Accumulation Fund Management Center and open bank accounts at the designated bank for them by examining documents produced by the Housing Accumulation Fund Management Center. The amounts paid by the employees shall be withdrawn from their salaries while the enterprise shall pay fully the amounts on a monthly basis and no arrears are allowed.

According to the Regulations on Occupational Injury* (工傷保險條例), the Regulations on unemployment insurance* (失業保險條例), the Trial Method for Reproduction Insurance of the Enterprise Employees* (企業職工生育保險試行辦法), the Provisional Method for Social Insurance Registration Administration* (社會保險登記管理暫行辦法) and the Provisional Regulation on Collection of Social Insurance Premium* (社會保險費征繳暫行條例), our Group should provide pension insurance, retirement insurance, unemployment insurance, reproduction insurance (for female employees), occupational injury insurance and medical insurance to employees.

According to the Labour Contract Law of the People's Republic of China* (中華人民共和國勞動合同法) promulgated by the NPCSC on 29 June 2007, which took effect on 1 January 2008 and amended on 18 December 2012, dispatched workers enjoy equal pay with the workers of the employing units. The employing unit shall, in accordance with the principle of equal pay for equal work, implement the same method of distribution of remuneration for labour dispatched workers and workers in similar positions in the unit. Where there are no workers in the same or similar positions in the employing unit, the remuneration shall be determined with reference to workers in the same or

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similar positions where the employing unit is located. As for the applicable position for dispatched workers, labour dispatch is supplementary in form, which can only be implemented in temporary, auxiliary or alternative jobs. Temporary jobs refer to those that last no more than six months. Auxiliary jobs refer to non-main business posts providing services for main business posts. Alternative jobs refer to positions that can be replaced by other workers within a certain period of time when the workers in the employing unit cannot work due to further studies, vacation and other reasons. With regard to the number of workers dispatched, the employing unit shall strictly control the number of workers dispatched, and shall not exceed a certain proportion of the total amount of workers employed. The specific proportion shall be stipulated by the workers administrative department under the state council.

According to the Interim Provisions on Labour Dispatch* (勞務派遣暫行規定) promulgated by the Ministry of Human Resources and Social Security on 24 January 2014 and effective on 1 March 2014, employers shall strictly control the number of labour dispatch workers, and the number of dispatched workers shall not exceed 10% of the total labour force. Where the number of dispatched workers exceeds 10% of the total number of employed workers before the implementation of these provisions, an adjustment plan shall be formulated and reduced to a prescribed proportion within two years from the date of implementation of these provisions. The employing units shall fulfill their obligations to provide labour protection and labour safety and health conditions for the dispatched workers in accordance with the law. In accordance with the relevant provisions of the Labour Contract Law, if the labour dispatching unit or the employing unit violates the relevant provisions of the law on labour dispatching, the labour administrative department shall order the relevant unit to correct within a time limit. If it fails to make corrections within the time limit, it shall be fined at the rate of RMB 5,000 to RMB 10,000 per person.

The domestic subsidiaries of our Group have a large number of employees and dispatched workers, whose labour, social insurance and housing accumulation fund and other related matters shall comply with the provisions of the above laws and regulations.

CIRCULARS ISSUED BY CHINESE GOVERNMENT ON LISTING AND RESTRUCTURING

The State Administration of Foreign Exchange (“SAFE”) promulgated the Notice on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知 (37號文)) (“Circular 37”) on 4 July 2014 to simplify the approval process and to promote cross-border investment. Circular 37 rescinded Circular 75 and revised regulations of return investments relating to foreign exchange registration. If there is any change in the basic information of a registered offshore special purpose vehicle (“SPV”) such as changes in the individual shareholders, the name or the permitted expiration date of the operations, or if there are any significant events such as increasing or decreasing in investment, transferring shares or swap, merge, spin-off or other amendment of the material items, the domestic residents shall follow the procedures required for the change of foreign exchange registration of overseas investment under Circular No. 37. In addition, according to the procedural guideline attached to Circular 37, the principle of review has been changed to that of: “the domestic individual resident only needs to register for the SPV which is directly established or controlled (first level)”. At the same time, SAFE has issued the Operating Rules for Businesses with respect to the Regulation of Foreign Exchange in Roundtrip Investments* (返程投資外匯管理所涉業

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務操作指引) with respect to the registration procedures under Circular 37, which became effective on 4 July 2014 as an attachment of Circular 37. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent company or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with SAFE in connection with their investments to the company. As advised by our PRC legal advisers, Circular 37 is not applicable to this Listing.

On 8 August 2006, the MOFCOM, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the China securities regulatory commission (the “CSRC”) and SAFE, jointly issued the M&A Rules, the new regulations on mergers and acquisitions of domestic enterprises by foreign investors, which became effective on 8 September 2006 and revised on 22 June 2009. When a foreign investor changes the nature of the domestic company into a foreign invested enterprise by purchasing the rights of a domestic company or subscribing to increase the capital of a domestic company; or when an overseas investor sets up a foreign invested enterprise in China, and buys the assets of the domestic company and manages the related assets; or when an overseas investor buys the assets of a domestic company by injecting the related assets into a foreign invested enterprise and operating the related assets, the foreign investor must abide by the M&A Rules. The M&A Rules stipulates that a special purpose company refers to an overseas company that is directly or indirectly controlled by a company or a natural person in China for the realization of the rights and interests of a domestic company that is actually owned by a domestic company for overseas listing. In order to realise the overseas listing, through the shareholders of the special purpose company using the company equity held by them as a means of payment, or the special purpose company using its additional shares as a means of payment to buy the shares of the shareholders of the domestic associated companies or the additionally issued shares by such companies, the approval of the CSRC is required. As advised by our PRC legal advisers, the M&A Rules are not applicable to this Listing.

JAPANESE LAWS AND REGULATIONS

This section sets forth the major applicable Japanese laws and regulations in relation to the operation of our business by Euro Asia Japan in Japan during the Track Record Period and up to the Latest Practicable Date.

The Customs Act (No.61 of 1954, as amended)

The Customs Act and other relevant laws and regulations provide for the types of goods the import of which is prohibited or restricted, and with import quotas. The products imported by Euro Asia Japan are the type of goods the import of which is so prohibited or restricted.

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The Customs Tariff Act (No.54 of 1910, as amended)

The Customs Tariff Act sets forth the rates, imposition standards and reduction and exemption of import duty, including special duty such as anti-dumping duty and safeguard duty. An importer in Japan is required to report and pay the import duty for importing a product which is subject to import duty in accordance with this Act. As Euro Asia Japan imports products from foreign countries, it should report and pay the import duty for importing such products in accordance with this Act.

The Product Liability Act (Act No.85 of July 1, 1994)

The Product Liability Act sets forth the liabilities of a manufacturer or importer for damages caused by defects in a product. A seller who was not involved in the manufacturing or import of a product could still be liable under this Act if its name was indicated on the product and consumers are led to believe that the seller was the manufacturer or importer. Liability under this Act can be imposed even if the manufacturer or importer (and the said seller) was not negligent. As Euro Asia Japan sells our products in Japan, liabilities under this Act may be imposed to Euro Asia Japan if any damages are caused by defects in such products.

The Labour Laws

There are various labour-related laws enacted in Japan, including the Labour Standards Act (Act No. 49 of April 7, 1947, as amended), the Industrial Safety and Health Act (Act No. 57 of 1972, as amended), and the Labour Contract Act (Act No. 128 of December 5, 2007). The Labour Standards Act regulates, among others, minimum standards for working conditions such as working hours, leave period and leave days. The Industrial Safety and Health Act requires, among others, the implementation of measures to secure employee safety and protect the health of workers in the workplace. The Labour Contract Act regulates, among others, the change of terms of employment contracts and working rules, dismissal and disciplinary action. As Euro Asia Japan employs workers in Japan, liabilities under these laws are imposed to Euro Asia Japan, and therefore, Euro Asia Japan should comply with these laws.

The Consumption Tax Act (Act No.47 of May 19, 1993, as amended)

The Consumption Tax Act provides for a multi-step, broad-based tax imposed on most transactions in goods and services in Japan. Consumption tax is assessed at each stage of the manufacturing, importing, wholesale and retail process. The current consumption tax rate is 8% (6.3% imposed as national tax and 1.7% as local tax). The Japanese government announced its intention to increase the consumption tax to 10% (7.8% imposed as national tax and 2.2% as local tax) with effect from 1 October, 2019. As Euro Asia Japan sells products in Japan, consumption tax is imposed on such transactions.

Trademark Act (Act No.127 of April 13, 1959, as amended)

The Trademark Act aims to protect registered trademarks. A holder of registered trademark right or an exclusive licensee thereof may demand a person who infringes or is likely to infringe the trademark right or the exclusive right to use to stop or prevent such infringement. As Euro Asia Japan registered a trademark in Japan, it has the rights stipulated in this Act.

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Design Act (Act No.125 of April 13, 1959, as amended)

The Design Act aims to promote the protection and utilisation of design. It protects registered designs. A holder of a registered design right or an exclusive licensee thereof may demand of a person who infringes or is likely to infringe the design right or exclusive license to stop or prevent such infringement. Euro Asia Japan may be subject to the rights and obligations stipulated in this Act, if it holds or infringes any registered design rights in Japan.

Foreign Exchange and Foreign Trade Act (No.228 of December 1, 1949, as amended)

The Foreign Exchange and Foreign Trade Act aims to promote and control foreign exchange and foreign trade activities. No specific restriction under Japanese laws applies to the payment and remittance to our Group by its customers located in Japan of purchase price of the types of goods sold by our Group to such customers. A post notification to the Bank of Japan shall be made under this law by 15th days of the month immediately following the month in which our Group establishes its subsidiary in Japan.

Companies Act (Act No. 86 of 2005, as amended)

The Companies Act regulates the incorporation, internal organisation, operation and liquidations, etc., of a company incorporated in Japan. Our Group may incorporate a company in Japan by applying for and obtaining the registration of such company in the relevant legal bureau in Japan. As a Japanese company, Euro Asia Japan should comply with the provisions in this Act.

High Pressure Gas Safety Act (Act No. 204 of June 7, 1951) and its subordinate regulations

High Pressure Gas Safety Act regulates the production, storage, sale, transportation and other matters related to the handling and consumption of high pressure gases, etc. with the aim of securing public safety by preventing accidents and disasters caused by high pressure gases. The provisions of this Act shall not be applied to high pressure gases specified by a Cabinet Order as having no possibility of causing accidents or disasters. A person who intends to produce (including the filling of containers), store certain amount of or sell high pressure gas shall, as the case may be, obtain the permission from or submit a notification report to the relevant authorities. Any person who has imported high pressure gas shall, in principle, have the imported high pressure gas and the container therefor undergo import inspection by the prefectural governor and may not move them until they have been verified as being in conformity with the technical standards for import inspection. The maximum penalty for the breach of the above provisions shall be imprisonment with work of not more than 1 year or a fine of not more than JPY1,000,000, or both. In the event of any violation of the above regulations by a representative of a juridical person or by an agent, employee or other worker of a juridical person or individual in relation to the business of such juridical person or individual, such juridical person or individual shall be punished by a fine as written above as well as the performer (actual offender) being punished by a punishment thereunder. Although Euro Asia Japan imports, stores, transports and sells high pressure gases in Japan, as far as those are the gases stipulated to be having no possibility of causing accidents or disasters, Euro Asia Japan does not need to have its imported products inspected by, obtain permission from or notify the relevant authorities under this Act.

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SANCTIONS LAWS AND REGULATIONS

During the Track Record Period, we made sales of our aerosol and non-aerosol products to certain customers located in Countries subject to International Sanctions, including Afghanistan, Lebanon, Russia, Iran, Iraq, Yemen and Haiti. Hogan Lovells, our International Sanctions Legal Advisers, have provided the following summary of the sanctions regimes imposed in the respective jurisdictions below. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

U.S.

Treasury regulations

The OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organised under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holder), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorisation or license from OFAC.

OFAC’s comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia / Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC’s limited programmes apply to Belarus, Burundi, Central African Republic, Democratic Republic of the Congo, Iraq, Lebanon, Liberia, Libya, Somalia, South Sudan, Ukraine/Russia, Venezuela, Yemen and Zimbabwe. OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

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United Nations

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UN Security Council has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are nine monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the UN Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under European Union sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

REGULATORY OVERVIEW

HONG KONG LAWS AND REGULATIONS

This section sets forth the major applicable Hong Kong laws and regulations in relation to the operation of our business in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Inland Revenue Ordinance

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) provides that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong at the standard rate. Every person carrying on a trade, profession or business in Hong Kong is required to keep sufficient records of his income and expenditure and shall retain such records for a period of not less than seven years from the transaction date. The Inland Revenue (Amendment) (No.6) Ordinance 2018 was effective from 13 July 2018 and section 20 of IRO was repealed accordingly.

As at the Latest Practicable Date, we had two employees (exclusive of Directors) were based in Hong Kong.

Regulations concerning transfer pricing

On 4 December 2009, the Inland Revenue Department released Departmental Interpretation and Practice Notes No. 46 — “Transfer Pricing Guidelines — Methodologies and Related Issues” (the “**DIPN 46**”). The DIPN 46 provides clarifications and guidance on the Inland Revenue Department’s views on transfer pricing and how it intends to apply the existing provisions of the Inland Revenue Ordinance to establish whether related parties are transacting at arm’s length prices. In general, the practice followed by the Inland Revenue Department will not differ from the transfer pricing methodologies recommended by the OECD Guidelines.

The DIPN 46 states that although contemporaneous documentation is not mandatory, taxpayers are encouraged to prepare transfer pricing documentation consistent with the OECD Guidelines. The DIPN 46 sets out the key documents which it considers relevant for Hong Kong enterprises to maintain to support their transfer pricing arrangements.

The DIPN 46 explains the selection of transfer pricing methodologies, describing in detail all the OECD methods, including but not limited to the comparable uncontrolled price, resale price, cost plus, profit split and the transactional net margin method.

The DIPN 46 relies primarily on the statutory provision sections 16, 17, 20, 61 and 61A of the Inland Revenue Ordinance as the basis for the Commissioner’s powers in making transfer pricing adjustments.

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Section 20 of the Inland Revenue Ordinance provides that where transactions between a resident person and a closely connected non-resident person are so arranged that the business done by the resident person produces either no profits or less than the ordinary profits which might be expected to arise in Hong Kong, the business done by the non-resident person shall be deemed to be carried out in Hong Kong, and such non-resident person shall be assessable and chargeable to tax in respect of his profits from such business in the name of the resident person as if the resident were his agent. A person is closely connected with another person if they are substantially identical or that the ultimate controlling interest of each is owned or deemed under this section to be owned by the same person(s).

The Inland Revenue Department may also apply the general anti-avoidance provision, for instance, section 61A of the Inland Revenue Ordinance to prevent trafficking in transfer pricing. If it can be concluded that, after having regard to the seven factors listed out in the section, the taxpayer entered into or carried out a transaction for the sole or dominant purpose of obtaining a tax benefit, the Inland Revenue Department may disregard the transaction as if it had not taken place, or assess the taxpayer in other manner as the Assistant Commissioner considers appropriate to counteract the tax benefit that would otherwise be obtained.

It is the Inland Revenue Department's general practice to apply the arm's length principle in examining transactions between a Hong Kong company and its closely connected non-resident persons. There is a trend with the Inland Revenue Department issuing more and more enquiries about transfer pricing on taxpayers requesting them to submit documentary evidence to support the arm's-length nature of the intercompany transactions.

For details of our transfer pricing arrangement, please refer to the section headed "Business — Legal compliance — Transfer pricing" in this listing document.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our predecessor, China Aluminum Cans, was founded in 2012 in the Cayman Islands and the China Aluminum Cans Group is a manufacturer of monobloc aluminum aerosol cans which are generally used in the packaging of fast-moving personal care products and pharmaceutical products. The China Aluminum Cans Shares have been listed on the Main Board since 12 July 2013.

Our Company was incorporated in the Cayman Islands with limited liability on 4 May 2018. Through the Reorganisation, our Company became the holding company of our subsidiaries. Prior to the incorporation of our Company and completion of the Spin-off, our subsidiaries formed an integral part of the China Aluminum Cans Group.

On 30 August 2000, our principal operating subsidiary, Guangzhou Botny, was established under the laws of the PRC by European Asia Industrial, which was in turn wholly-owned by Mr. Lin. Since its incorporation, Guangzhou Botny has been involved in the design, development, manufacture and sale of aerosol products and non-aerosol products. The products produced and sold by Guangzhou Botny were mainly automotive beauty and maintenance products.

To expand the business of the China Aluminum Cans Group, Euro Asia Investments (a direct wholly-owned subsidiary of China Aluminum Cans) as purchaser entered into a sale and purchase agreement dated 3 October 2014 with Mr. Lin as vendor to acquire the entire issued share capital of Topspan (the “**Topspan Acquisition**”) from Mr. Lin. Pursuant to the terms of the Topspan Acquisition, Topspan and its subsidiaries underwent certain corporate restructuring (the “**Topspan Reorganisation**”) and at the time of completion of the Topspan Acquisition on 20 May 2015, the subsidiaries of Topspan consisted of Botny, Guangzhou Botny, Guangzhou Shentian, Guangzhou Chaoli and Botny HK, which were mainly involved in the content filling of aerosol cans, and the design, development, manufacture and sale of aerosol and non-aerosol products. Accordingly, Guangzhou Botny became an operating subsidiary of China Aluminum Cans. The Topspan Acquisition served as an integration of China Aluminum Cans Group with the downstream chain of its business.

Following the Topspan Acquisition, Euro Asia Japan was set up as an indirect wholly-owned subsidiary of Topspan in Japan on 6 January 2016 to engage in the trading of aerosol and non-aerosol products in Japan. In addition, Guangzhou Chaoli was deregistered on 5 July 2016 to streamline the group structure as Guangzhou Chaoli had been inactive since its establishment.

To further diversify the product range and improve the financial performance and position of our Group, 70% equity interest of Guangzhou Euro Asia was acquired by China Medical Beauty (an indirect wholly-owned subsidiary of Topspan) from European Asia Industrial, which is wholly-owned by Mr. Lin (the “**Guangzhou Euro Asia Acquisition**”). Upon completion of the Guangzhou Euro Asia Acquisition, Guangzhou Euro Asia, which was principally engaged in the design, development, manufacture and sale of personal care products, became an operating subsidiary of China Aluminum Cans. The Guangzhou Euro Asia Acquisition served as an expansion of China Aluminum Cans Group’s business to cover the personal care products market. The legal procedure for the said share transfer was completed on 8 January 2018 and the consideration was settled on 29 March 2018.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the Latest Practicable Date, our principal business is 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.

Set forth below is a chronological review of the key business milestones of our Group:

Year	Event
2000	Guangzhou Botny was established in the PRC on 30 August 2000
2006	Guangzhou Euro Asia was established in the PRC on 17 April 2006
2008	A production facility was established on North Jufeng Land
2010	Botny HK was incorporated in Hong Kong on 9 June 2010
2012	Topspan was incorporated in the BVI on 3 July 2012
2013	Botny was incorporated in Hong Kong on 3 June 2013
2014	Guangzhou Shentian was established in the PRC on 5 May 2014
	Guangzhou Botny was awarded High-tech enterprise* (高新技術企業) by Guangdong Science and Technology Department* (廣東省科學技術廳), Department of Finance of Guangdong Province* (廣東省財政廳), Guangdong Provincial Office, SAT* (廣東省國家稅務局) and Guangdong Local Taxation Bureau* (廣東省地方稅務局) (<i>Note 1</i>)
2015	The completion of the Topspan Acquisition took place on 20 May 2015 and Guangzhou Botny became an operating subsidiary of China Aluminum Cans
	Guangzhou Botny was designated by China Packaging Federation as China Packaging and Research and Development Centre* (中國包裝優秀研發中心) in the PRC
2016	Guangzhou Botny was accredited with GB/T19001-2016/ISO9001:2015 Standard and GB/T24001-2016/ISO14001:2015 in relation to the quality management system and environmental management system, respectively (<i>Note 2</i>)
	Euro Asia Japan was incorporated in Japan on 6 January 2016
2017	Super Sight was incorporated in the BVI on 1 November 2017
	China Medical Beauty was incorporated in Hong Kong on 14 November 2017
	Guangzhou Botny was awarded Guangdong Brand Product* (廣東省名牌產品) by the Guangdong Brand Product Commission* (廣東省名牌產品推進委員會)
	Guangzhou Euro Asia was accredited with GB/T19001-2016/ISO9001:2015 Standard and ISO9001:2015 in relation to the quality management system (<i>Note 3</i>)

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2018	The legal procedure for the share transfer as contemplated under the of Guangzhou Euro Asia Acquisition was completed on 8 January 2018 and the consideration was settled on 29 March 2018 and Guangzhou Euro Asia became an operating subsidiary of China Aluminum Cans

Notes:

1. Guangdong Provincial Office, SAT (廣東省國家稅務局) and Guangdong Local Taxation Bureau (廣東省地方稅務局) were subsequently unified as Guangdong Provincial Tax Service, State Administration of Taxation (國家稅務總局廣東省稅務局).
2. Both of our GB/T19001-2016/ISO9001:2015 Standard and GB/T24001-2016/ISO14001:2015 were awarded on 26 July 2016 and shall remain valid until 25 July 2019.
3. Both of our GB/T19001-2016/ISO9001:2015 Standard and ISO9001:2015 were awarded on 1 August 2017 and shall remain valid until 31 July 2020.

CORPORATE HISTORY

Our Group consists of our Company and nine subsidiaries. Set out below is the corporate history of each of our Company and our subsidiaries.

Our Company

On 4 May 2018, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to the initial subscriber at par. On the same date, the one Share held by the initial subscriber was transferred to Euro Asia Investments (a direct wholly-owned subsidiary of China Aluminum Cans).

On 30 April 2019, as part of the reorganisation, Euro Asia Investments (as vendor) entered into a sale and purchase agreement with China Aluminum Cans (as purchaser) pursuant to which one Share was transferred from Euro Asia Investments to China Aluminum Cans at the consideration of HK\$0.01. The said transfer was legally completed on the same date. Upon completion of the said transfer, our Company became a wholly-owned subsidiary of China Aluminum Cans.

Following completion of the Reorganisation, our Company became the holding company of our subsidiaries and all the issued Shares were held by China Aluminum Cans. For details of the Reorganisation, please refer to the section headed “History, reorganisation and corporate structure — Reorganisation” in this listing document.

Topspan

Topspan was incorporated in the BVI on 3 July 2012 as a limited liability company authorised to issue a maximum of 50,000 shares of US\$1 each, of which one share was allotted and issued as fully paid to Mr. Lin at par on the same date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 3 October 2014, Mr. Lin as vendor entered into a sale and purchase agreement with Euro Asia Investments as purchaser pursuant to which one share of Topspan was transferred to Euro Asia Investments at the consideration of HK\$900 million which was satisfied as to HK\$120 million by cash and HK\$780 million by the issue of the convertible note by China Aluminum Cans (the parent company of Euro Asia Investments) to Mr. Lin. The consideration was determined with reference to the business valuation of Topspan and its subsidiaries assessed by an independent valuer. The completion of the said transfer took place on 20 May 2015. As a result, Topspan became a wholly-owned subsidiary of Euro Asia Investments.

On 26 April 2018, the unaudited amount due from Botny to Euro Asia Investments was HK\$16,221,170.98 (the “**Loan**”). As agreed by Botny and Euro Asia Investments, the Loan was capitalised by the allotment and issue of one new share of Topspan by Topspan (the holding company of Botny) to Euro Asia Investments. The said allotment and issue of new share was legally completed on the same date, which served as the full and final settlement of the Loan due from Botny to Euro Asia Investments.

On 30 April 2019, as part of the Reorganisation, Topspan (as issuer) and our Company (as subscriber) entered into a subscription agreement pursuant to which our Company agreed to subscribe for and Topspan agreed to allot and issue to our Company 9,998 new shares of Topspan for the aggregate sum of US\$9,998. The said issue and allotment of 9,998 new shares of Topspan were legally completed on the same date.

On 15 May 2019, as part of the Reorganisation, our Company (as purchaser) and Euro Asia Investments (as vendor) entered into a sale and purchase agreement pursuant to which Euro Asia Investments transferred two shares of Topspan to our Company in consideration of our Company, at the discretion and request of Euro Asia Investments, allotting and issuing one Share credited as fully paid up to China Aluminum Cans. Upon completion of the said transfer, Topspan became a wholly-owned subsidiary of our Company. The said transfer and allotment were legally completed on the same date.

As at the Latest Practicable Date, Topspan was an investment holding company.

Botny

On 3 June 2013, Botny was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, of which one share was issued to an Independent Third Party. On 16 September 2013, such Independent Third Party transferred one share of Botny to Topspan at par and such transfer was legally completed on the same date. On 25 March 2014, Topspan transferred one share of Botny to European Asia Industrial at par to facilitate the subsequent acquisition of Guangzhou Botny within the same group under European Asia Industrial and such transfer was legally completed on the same date.

On 18 September 2014, as part of the Topspan Reorganisation, Botny (as purchaser) and European Asia Industrial (as vendor) entered into an equity transfer agreement pursuant to which, Botny agreed to acquire from European Asia Industrial the entire equity interest in Guangzhou Botny at the consideration of Botny allotting and issuing 1,000 new shares of HK\$1.00 each credited as fully paid up in the capital of Botny to European Asia Industrial. The said allotment and issue were legally

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

completed on 3 November 2014. On 17 November 2014, as part of the Topspan Reorganisation, European Asia Industrial (as vendor) and Topspan (as purchaser) entered into a sale and purchase agreement pursuant to which European Asia Industrial transferred 1,001 shares of Botny to Topspan at HK\$1.00 and such transfer was legally completed on 24 November 2014. As a result, Botny became a wholly-owned subsidiary of Topspan.

As at the Latest Practicable Date, Botny was engaged in trading of aerosol and non-aerosol products.

Guangzhou Botny

Guangzhou Botny was established in the PRC on 30 August 2000 as a limited liability company with a registered capital of US\$400,000. As at the date of establishment, Guangzhou Botny was wholly-owned by European Asia Industrial.

The registered capital of Guangzhou Botny was increased on various occasions from November 2001 to June 2004. As at 10 June 2004, the registered capital of Guangzhou Botny was US\$1.4 million which was all contributed in cash by European Asia Industrial. The various increases of registered capital of Guangzhou Botny were made in light of the funding needs of Guangzhou Botny.

On 18 September 2014, as part of the Topspan Reorganisation, Botny (as purchaser) entered into an equity transfer agreement with European Asia Industrial (as vendor) to acquire the entire equity interest in Guangzhou Botny at the consideration of Botny allotting and issuing 1,000 new shares of HK\$1.00 each credited and fully paid up in the capital of Botny to European Asia Industrial. The legal procedure for the said transfer was completed on 20 October 2014. As a result, Guangzhou Botny became a wholly-owned subsidiary of Botny.

On 4 August 2015, the increase of registered capital of Guangzhou Botny was legally completed whereby the registered capital was further increased by US\$10 million from US\$1.4 million to US\$11.4 million. The additional registered capital was contributed in cash by Botny on 14 August 2015. The shareholder of Guangzhou Botny remained unchanged after the aforesaid increase.

As at the Latest Practicable Date, Guangzhou Botny was engaged in the design, development, manufacture and sale of automotive beauty and maintenance products.

Guangzhou Shentian

Guangzhou Shentian was established in the PRC on 5 May 2014 as a limited liability company with a registered capital of RMB10 million of which 50% was contributed by Guangzhou Euro Asia in kind by way of injecting to Guangzhou Shentian the office and land lease right and 50% was contributed by Guangzhou Botny in cash.

On 25 July 2014, as part of the Topspan Reorganisation, Guangzhou Botny (as purchaser) entered into an equity transfer agreement with Guangzhou Euro Asia (as vendor) to acquire its 50% equity interest in Guangzhou Shentian at the cash consideration of RMB96,435,230 which was

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

determined with reference to the fair value of the said building and land lease right injected by Guangzhou Euro Asia assessed by an independent valuer. The legal procedure for the said transfer was completed on 13 August 2014. As a result, Guangzhou Shentian was wholly-owned by Guangzhou Botny.

As at the Latest Practicable Date, Guangzhou Shentian was an investment holding company.

Botny HK

On 9 June 2010, Botny HK was incorporated in Hong Kong as a limited liability company with an authorised share capital of US\$100,000 divided into 100,000 ordinary shares of US\$1 each, of which 100,000 shares were issued to Guangzhou Botny.

As at the Latest Practicable Date, Botny HK was engaged in the trading of aerosol and non-aerosol products.

Euro Asia Japan

On 6 January 2016, Euro Asia Japan was incorporated in Japan by Botny HK as a limited liability company with a share capital of JPY9,000,000.

As at the Latest Practicable Date, Euro Asia Japan was engaged in the trading of aerosol and non-aerosol products.

Super Sight

Super Sight was incorporated in the BVI on 1 November 2017 as a limited liability company authorised to issue a maximum of 50,000 shares of US\$1 each, of which one share was allotted and issued as fully paid to Topspan at par on the same date.

As at the Latest Practicable Date, Super Sight was an investment holding company.

China Medical Beauty

China Medical Beauty was incorporated in Hong Kong with limited liability on 14 November 2017. On 14 November 2017, 10,000 shares of China Medical Beauty were allotted and issued to Super Sight.

As at the Latest Practicable Date, China Medical Beauty was engaged in the trading of aerosol and non-aerosol products.

Guangzhou Euro Asia

Guangzhou Euro Asia was established in the PRC on 17 April 2006 as a limited liability company with a registered capital of US\$1 million. As at the date of establishment, Guangzhou Euro Asia was wholly-owned by European Asia Group Company Limited, a subsidiary of China Aluminum Cans.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 2 April 2007, in light of the funding needs of Guangzhou Euro Asia, the increase of registered capital of Guangzhou Euro Asia was legally completed whereby the registered capital was increased by US\$2 million from US\$1 million to US\$3 million. The additional registered capital was contributed in cash by European Asia Group Company Limited on 15 October 2007.

On 5 November 2007, European Asia Industrial, a company wholly-owned by Mr. Lin (as purchaser), entered into an equity transfer agreement with European Asia Group Company Limited (as vendor) to acquire from European Asia Group Company Limited the entire equity interest in Guangzhou Euro Asia at the cash consideration of US\$3 million which was equivalent to the amount of registered capital of Guangzhou Euro Asia. The legal procedure for the said transfer was completed on 8 January 2008. As a result, Guangzhou Euro Asia was wholly-owned by European Asia Industrial.

On 30 November 2017, China Medical Beauty (as purchaser) entered into an equity transfer agreement with European Asia Industrial (as vendor) to acquire its 70% equity interest in Guangzhou Euro Asia at the cash consideration of HK\$90 million. The consideration was determined after arm's negotiation with reference to, among other things (i) the business prospect of Guangzhou Euro Asia; (ii) the financial performance of Guangzhou Euro Asia for the two years ended 31 December 2016 and the nine months ended 30 September 2017; and (iii) a discount of approximately 23.9% of the valuation of 70% equity interest in Guangzhou Euro Asia of HK\$118,300,000 as at 30 September 2017, as appraised by an independent valuer. The legal procedure for the said transfer was completed on 8 January 2018 and the consideration for the said transfer was settled on 29 March 2018. As a result, Guangzhou Euro Asia was owned as to 70% by China Medical Beauty and 30% by European Asia Industrial.

As at the Latest Practicable Date, Guangzhou Euro Asia was engaged in the design, development, manufacture and sale of aerosol personal care products. In addition to its production and sale of personal care products, Guangzhou Euro Asia, being the holder of the production safety license covering the entire location of the North Jufeng Plant, is responsible for (i) the supervision and checking of the production, as well as the maintenance of production equipment and facilities, in the North Jufeng Plant; and (ii) the implementation of the overall safety production system of the North Jufeng Plant.

Deregistration of Guangzhou Chaoli

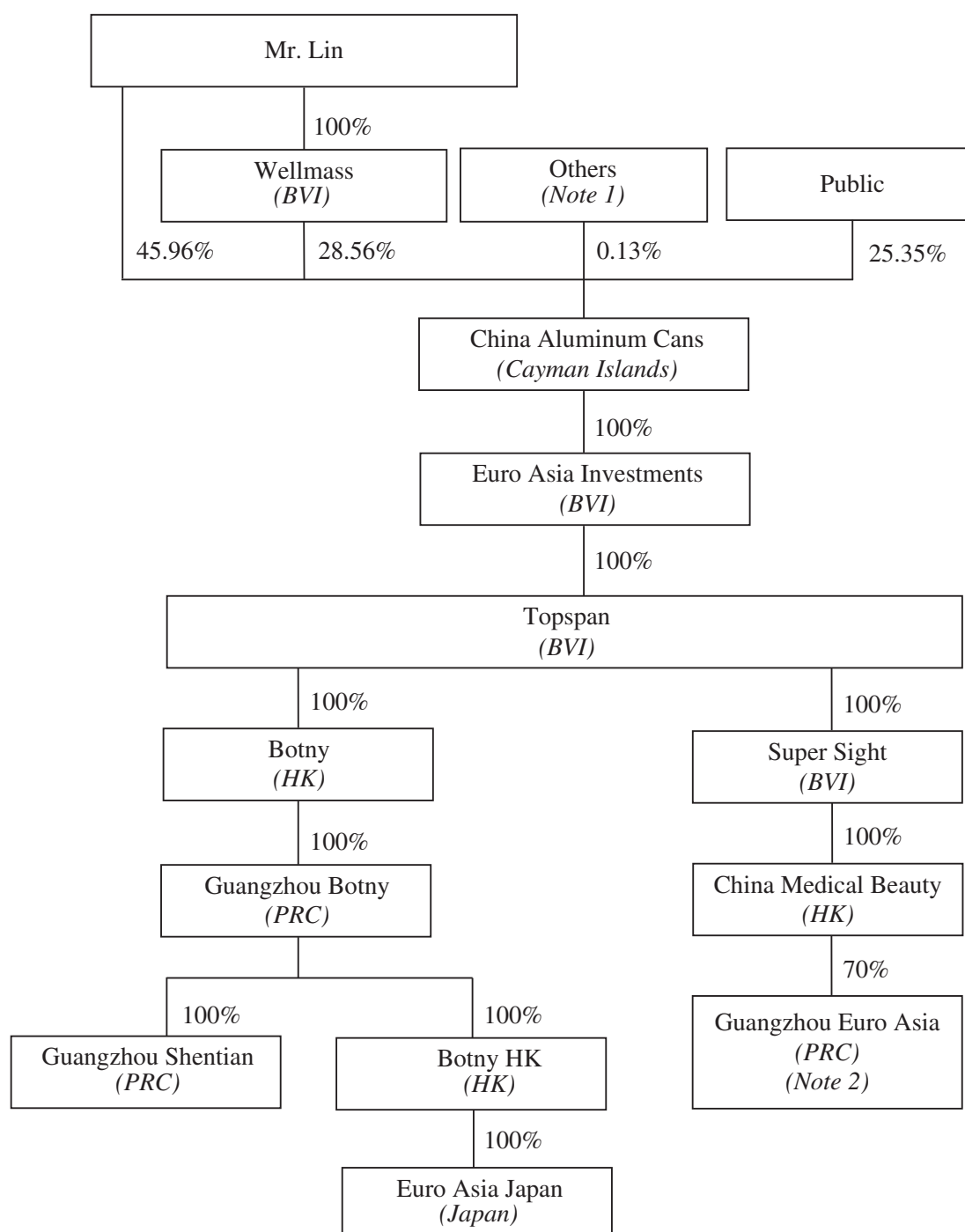
Guangzhou Chaoli was established in the PRC as a limited liability company on 18 July 2014 with a registered capital of RMB10 million. As at the date of establishment, Guangzhou Chaoli was wholly-owned by Guangzhou Botny. Guangzhou Chaoli had remained inactive since its establishment. In order to streamline our group structure, Guangzhou Chaoli was deregistered on 5 July 2016.

As confirmed by our PRC Legal Advisers, the deregistration of Guangzhou Chaoli by our Group has complied with the requirements of the PRC laws and regulations and our Group has performed all necessary legal procedures. Also, our Directors confirmed that (i) during the Track Record Period, no profit was attributable to Guangzhou Chaoli and the deregistration of Guangzhou Chaoli had no adverse impact on our financial performance and business operation; and (ii) Guangzhou Chaoli had not been involved in any claim, complaint, sanctions or litigations prior to its deregistration.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The following chart shows the shareholding structure of our Group immediately prior to the Reorganisation and the Spin-off. The percentage figures in the following chart do not take into account any China Aluminum Cans Shares which may be issued pursuant to the exercise of the China Aluminum Cans Share Options and the conversion of the Convertible Notes.



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- (1) “Others” refer to Mr. Kwok Tak Wang, a non-executive director of China Aluminum Cans.
- (2) Guangzhou Euro Asia is owned as to 70% by China Medical Beauty and 30% by European Asia Industrial which is wholly-owned by Mr. Lin.

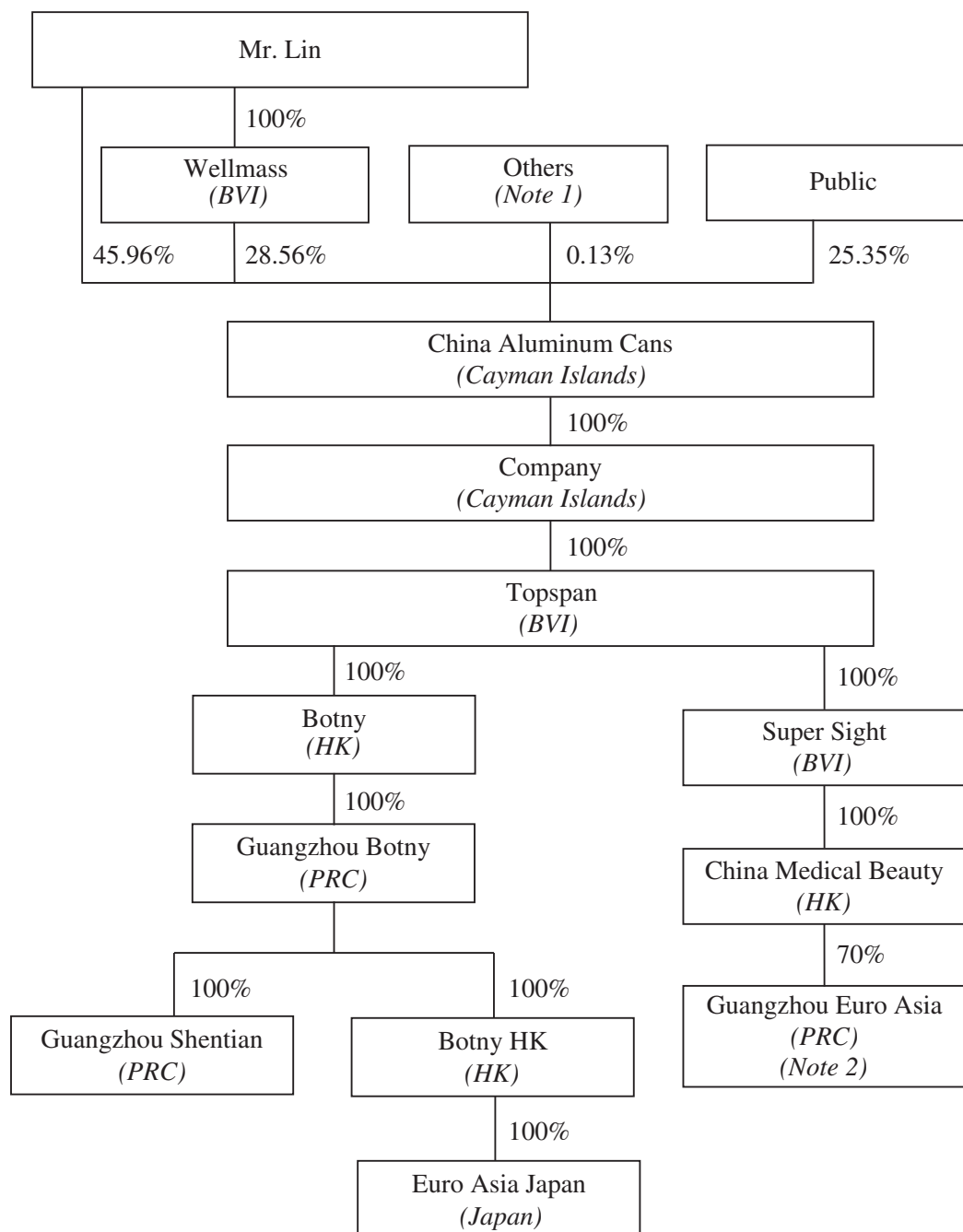
In preparation for the Spin-off and the Listing, our Group is undergoing various corporate restructuring as more particularly described as follows:

- (1) On 26 April 2018, the Loan of HK\$16,221,171 due from Botny to Euro Asia Investments was capitalised by the allotment and issue of one new share of Topspan by Topspan (the holding company of Botny) to Euro Asia Investments. The said allotment and issue of new share was legally completed on the same date, which served as the full and final settlement of the Loan due from Botny to Euro Asia Investments.
- (2) On 4 May 2018, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to the initial subscriber at par. On the same date, the one Share held by the initial subscriber was transferred to Euro Asia Investments.
- (3) On 30 April 2019, Euro Asia Investments (as vendor) entered into a sale and purchase agreement with China Aluminum Cans (as purchaser) pursuant to which one Share was transferred from Euro Asia Investments to China Aluminum Cans at the consideration of HK\$0.01. The said transfer was legally completed on the same date.
- (4) On 30 April 2019, Topspan (as issuer) and our Company (as subscriber) entered into a subscription agreement pursuant to which our Company agreed to subscribe for and Topspan agreed to allot and issue to our Company 9,998 new shares of Topspan for the aggregate sum of US\$9,998. The said issue and allotment of 9,998 new shares of Topspan were legally completed on the same date.
- (5) On 15 May 2019, our Company (as purchaser) entered into a sale and purchase agreement with Euro Asia Investments (as vendor), pursuant to which Euro Asia Investments transferred two shares of Topspan to our Company in consideration of our Company, at the discretion and request of Euro Asia Investments, allotting and issuing one Share credited as fully paid up to China Aluminum Cans. The said transfer and allotment were legally completed on the same date.

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Spin-off (assuming there is no change in the shareholding in China Aluminum Cans from the shareholding as at the Latest

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Practicable Date). The percentage figures in the following chart do not take into account any China Aluminum Cans Shares which may be issued pursuant to the exercise of the China Aluminum Cans Share Options and the conversion of the Convertible Notes.



Notes:

- (1) "Others" refer to Mr. Kwok Tak Wang, a non-executive director of China Aluminum Cans.
- (2) Guangzhou Euro Asia is owned as to 70% by China Medical Beauty and 30% by European Asia Industrial which is wholly-owned by Mr. Lin.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

THE DISTRIBUTION AND THE SPIN-OFF

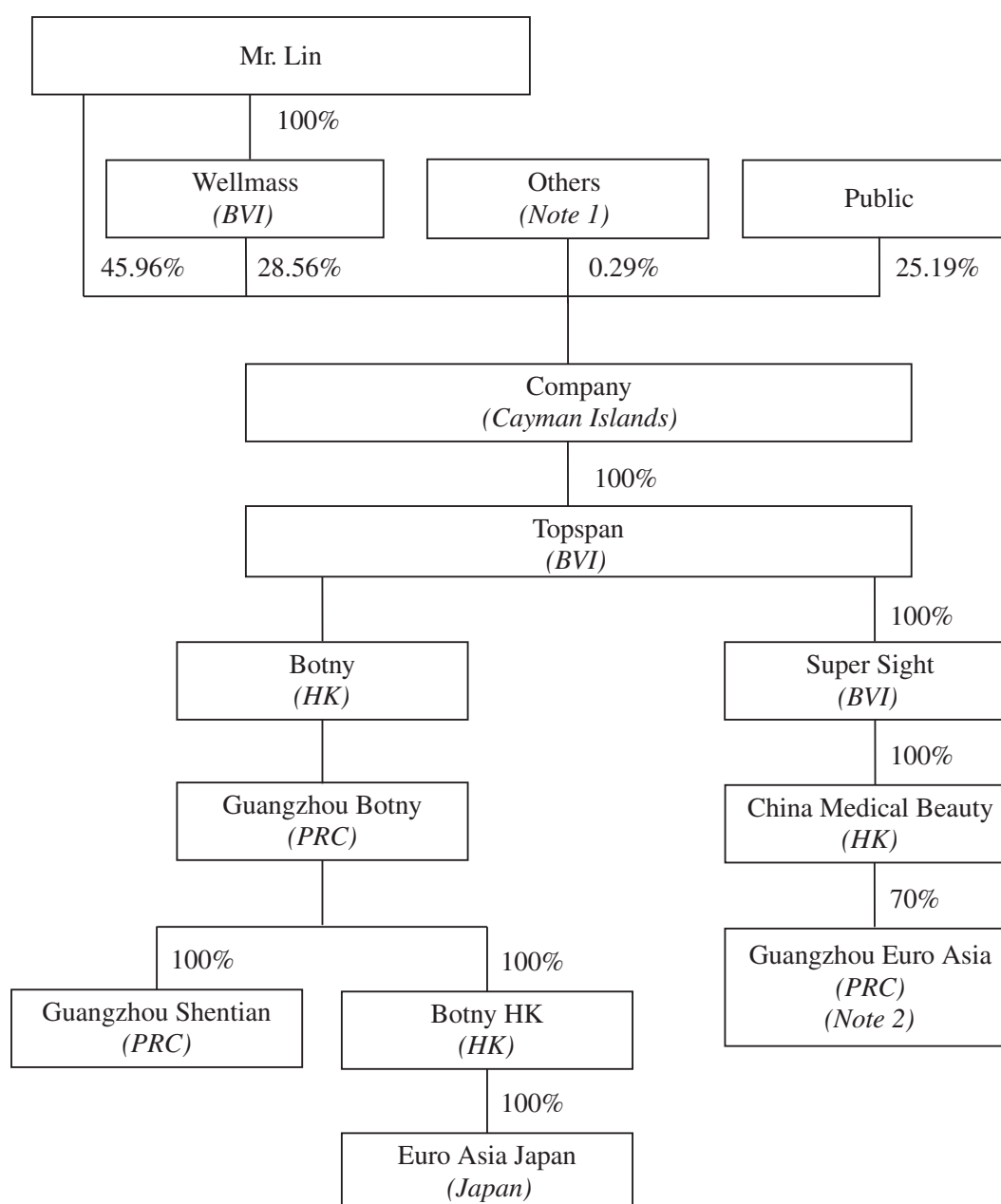
On 27 May 2019, the authorised share capital of our Company increased from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 Shares of HK\$0.01 each by the creation of an additional 1,461,000,000 new Shares of HK\$0.01 each. The China Aluminum Cans Board will declare a conditional special interim dividend to be satisfied by way of the Distribution. On the Distribution Record Date, China Aluminum Cans will subscribe for such number of Shares which, together with the existing Shares in issue, equal to 25% of the number of China Aluminum Cans Shares in issue as at the Distribution Record Date, at the subscription price of HK\$0.10 each. Immediately prior to completion of the Spin-off, our Company will allot and issue such number of new Shares as will ultimately enable China Aluminum Cans to effect the Distribution on the basis of one Share for every four China Aluminum Cans Shares held as at the Distribution Record Date.

Upon completion of the above steps, assuming the shareholding of China Aluminum Cans as at the Latest Practicable Date remains unchanged on the Distribution Record Date, 234,544,750 Shares held by China Aluminum Cans will be the subject of the Distribution, which shall be distributed to (i) the Qualifying China Aluminum Cans Shareholders on the basis of one Share for every four China Aluminum Cans Shares held as at the Distribution Record Date; and (ii) a nominee selected by the China Aluminum Cans Board who will sell such Shares for and on behalf of the Excluded China Aluminum Cans Shareholders. For details of the Distribution, please refer to the section headed “The Distribution and Spin-off” in this listing document.

Upon completion of the Spin-off and the Distribution, China Aluminum Cans will cease to be the shareholder of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Assuming there is no change in the shareholding in China Aluminum Cans from the shareholding as at the Latest Practicable Date, the following chart sets out the shareholding and corporate structure of our Group immediately after completion of the Spin-off but without taking into account the exercise of any Pre-IPO Share Options and any options which may be granted under the Share Option Scheme. The percentage figures in the following chart do not take into account any China Aluminum Cans Shares which may be issued pursuant to the exercise of the China Aluminum Cans Share Options and the conversion of the Convertible Notes.



Notes:

- (1) "Others" refer to Mr. Kwok Tak Wang, a non-executive director of China Aluminum Cans and Mr. Poon Tak Ching, our independent non-executive Director at the time of Listing.
- (2) Guangzhou Euro Asia is owned as to 70% by China Medical Beauty and 30% by European Asia Industrial which is wholly-owned by Mr. Lin.

THE DISTRIBUTION AND SPIN-OFF

THE DISTRIBUTION

Information on the Distribution

On 29 May 2019, the China Aluminum Cans Board declared a conditional special interim dividend to be satisfied by way of the Distribution to the Qualifying China Aluminum Cans Shareholders. Pursuant to the Distribution, the Qualifying China Aluminum Cans Shareholders will be entitled to one Share for every four China Aluminum Cans Shares held as at the Distribution Record Date, and in such case and for the avoidance of doubt, Qualifying China Aluminum Cans Shareholders of less than four China Aluminum Cans Shares on the Distribution Record Date will not be entitled to any Shares. On the Distribution Record Date, China Aluminum Cans will subscribe for such number of Shares which, together with the existing Shares in issue, equal to 25% of the number of China Aluminum Cans Shares in issue as at the Distribution Record Date, at the subscription price of HK\$0.10 each. Immediately prior to completion of the Spin-off, our Company will allot and issue such number of new Shares as will ultimately enable China Aluminum Cans to effect the Distribution on the basis of one Share for every four China Aluminum Cans Shares held as at the Distribution Record Date. Fractional entitlements of Qualifying China Aluminum Cans Shareholders to our Shares under the Distribution will be disregarded and will instead be aggregated and sold by China Aluminum Cans on the market and the aggregate proceeds of such sale (net of expense and taxes) will be retained for the benefit of China Aluminum Cans. China Aluminum Cans Shareholders should note that they will not be required to pay any consideration to China Aluminum Cans or our Company for the Shares received pursuant to the Distribution or complete any application form to receive our Shares pursuant to the Distribution.

Our Shares will be traded in board lots of 2,000 Shares each. As a result of the Distribution, Qualifying China Aluminum Cans Shareholders may receive our Shares in odd lots. Our Company has appointed China Tonghai Securities Company Limited as its agent in providing matching service to our Shareholders to facilitate the acquisition of odd lots of our Shares to make up a full board lot or the disposal of any Shares which they may receive in odd lots. For details, please refer to the section headed “Information about this listing document and the Spin-off — Odd lot arrangements” in this listing document.

Our Shares which the Excluded China Aluminum Cans Shareholders would otherwise receive pursuant to the Distribution will be issued to a nominee selected by the China Aluminum Cans Board, who will sell such Shares in the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Excluded China Aluminum Cans Shareholders (*pro rata* to their shareholdings in China Aluminum Cans as at the Distribution Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Distribution, provided that if the amount that an Excluded China Aluminum Cans Shareholder would be entitled to receive is less than HK\$100, such sum will be retained for the benefit of China Aluminum Cans.

Share certificates are expected to be despatched to the Qualifying China Aluminum Cans Shareholders (except for any Excluded China Aluminum Cans Shareholders) on Thursday, 20 June 2019 by ordinary post at their own risks. The Share certificates will only become valid if the Distribution becomes unconditional.

THE DISTRIBUTION AND SPIN-OFF

The Qualifying China Aluminum Cans Shareholders who hold China Aluminum Cans Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive our Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants.

As the Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying China Aluminum Cans Shareholders in our Company, the Spin-off will not constitute a transaction for China Aluminum Cans under Chapter 14 of the Listing Rules and accordingly, the approval of the China Aluminum Cans Shareholders will not be required for the Spin-off.

Condition to the Distribution

The Distribution is conditional on the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to completion of the Spin-off. If this condition is not satisfied, the Distribution will not be made and the Spin-off will not take place.

Excluded China Aluminum Cans Shareholders

The allotment and issue by our Company of our Shares under the Distribution to certain China Aluminum Cans Shareholders may be subject to laws of jurisdictions outside Hong Kong. China Aluminum Cans Shareholders and Beneficial China Aluminum Cans Shareholders whose addresses registered in the register of members of China Aluminum Cans are in, or who are located or residing in, jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of China Aluminum Cans Shareholders and Beneficial China Aluminum Cans Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution, including obtaining any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

Overseas China Aluminum Cans Shareholders and Beneficial China Aluminum Cans Shareholders should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of laws or regulations or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to our Shares, as the case may be. It is emphasised that none of China Aluminum Cans, our Company or any of the Relevant Persons accepts any responsibility in relation to the above.

Excluded China Aluminum Cans Shareholders are those Overseas China Aluminum Cans Shareholders with registered addresses in an Excluded Jurisdiction, and other China Aluminum Cans Shareholders or Beneficial China Aluminum Cans Shareholders who are otherwise known by China Aluminum Cans to be residents of, or located in, jurisdictions outside Hong Kong as at the Distribution Record Date, whom the China Aluminum Cans Board and our Board, based on enquiries made on their behalves and the legal advice provided by their legal advisers, consider it necessary or

THE DISTRIBUTION AND SPIN-OFF

expedient to exclude from receiving our Shares pursuant to the Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where such China Aluminum Cans Shareholders or Beneficial China Aluminum Cans Shareholders are resident or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Excluded China Aluminum Cans Shareholders will not receive any Shares.

As at the Latest Practicable Date, based on the information provided by China Aluminum Cans, there were no China Aluminum Cans Shareholders whose addresses as registered in the register of members of China Aluminum Cans were outside Hong Kong.

China Aluminum Cans and our Company reserve the right, in its and our absolute discretion, to determine whether to allow the participation of any China Aluminum Cans Shareholder or Beneficial China Aluminum Cans Shareholder in the Distribution.

Information for Overseas China Aluminum Cans Shareholders

This listing document is for the exclusive use by China Aluminum Cans Shareholders solely for the purposes of assessing the Distribution and should not be used other than in connection with such purpose. This listing document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, our Shares or to take up any entitlements to our Shares or any solicitation or act in furtherance to a trade in any jurisdiction in which such an offer or solicitation or act is unlawful.

Neither our Shares nor this listing document has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, our Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdiction, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, our Shares or exercise any rights attaching to our Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

China Aluminum Cans Shareholders should note that they will not be required to pay or provide any consideration to China Aluminum Cans or our Company for any Shares received pursuant to the Distribution. Receipt of our Shares by any person pursuant to the Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties above. Such persons should consult their professional advisers if in doubt.

THE DISTRIBUTION AND SPIN-OFF

THE SPIN-OFF

On 4 April 2018, China Aluminum Cans submitted a proposal in relation to the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. On 28 June 2018, the Stock Exchange agreed that China Aluminum Cans may proceed with the Spin-off.

The Spin-off will be implemented in compliance with the Listing Rules, including Practice Note 15 to the Listing Rules. As the Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying China Aluminum Cans Shareholders in our Company, the Spin-off will not constitute a transaction for China Aluminum Cans under Chapter 14 of the Listing Rules. Accordingly, the approval of the China Aluminum Cans Shareholders will not be required for the Spin-off.

Other than to give effect to the Distribution, the Spin-off will not involve any offering of Shares by our Company for sale or subscription and no new proceeds will be raised by our Company.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The Spin-off is a demerger effecting the separation of the business of design, development, manufacturing and sale of automotive beauty and maintenance products, personal care products and other products including household products from the other businesses of the China Aluminum Cans Group by demerging the China Aluminum Cans Group into our Group and the Remaining China Aluminum Cans Group.

The China Aluminum Cans Board and our Board consider that the Spin-off is in the interests of China Aluminum Cans and our Company and their/our respective shareholders as a whole for the following reasons:

(i) The operating results and growth potential of our Group are sufficient to warrant a separate listing on the Stock Exchange

The business of our Group has been expanding in the past few years and the China Aluminum Cans Board and our Board consider that our Group has reached a size and critical mass, while still with growth potential, that justify a separate listing on the Stock Exchange.

Size of our Group

For the three years ended 31 December 2018, our Group generated revenue of approximately HK\$526.9 million, HK\$518.4 million and HK\$610.9 million, respectively, representing a CAGR of approximately 7.7%. According to the CIC Report, in 2018, our Group was ranked first in the manufacturing of aerosol products used in the automotive beauty and maintenance market in the PRC in terms of revenue, with a market share of approximately 13.2%. Our Group has operated for more than 15 years and has attained a strong market position.

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Growth potential of our Group

While our Group has grown to become one of the leading manufacturers of aerosol products used in the automotive beauty and maintenance market in the PRC, the China Aluminum Cans Board and our Board consider that there is growth potential in our Group's business, in particular, sales of our OBM products in the overseas markets, our online sales and sales of personal care products in the PRC. For the year ended 31 December 2018, revenue generated from our overseas OBM customers, online retail stores and sales of personal care products accounted for approximately 1.4%, 1.4% and 20.6% of our total revenue, respectively, indicating there is ample room for further growth.

According to the CIC Report, during the period from 2018 to 2023, (a) consumer expenditure of automotive beauty and maintenance products in the PRC is expected to grow at a CAGR of approximately 10.6%; (b) sales revenue of the manufacturing of aerosol products used in the automotive beauty and maintenance market in terms of ex-factory price in the PRC is expected to grow at a CAGR of approximately 8.0%; and (c) sales revenue of the manufacturing of aerosol products used in the personal care market in terms of ex-factory price in the PRC is expected to grow at a CAGR of approximately 10.1%. The markets in which our Group operates are expected to continue to exhibit strong growth in the coming years.

Benefits of a separate listing status

As further explained below, a separate listing status will enable (a) investors to appraise the strategies, exposure, growth potential, risks and investment returns of the business of our Group independently; and (b) our Company to (1) take advantage of the above growth potential of our business by having our own fund raising platform to directly and independently access both the debt and equity capital markets to further expand our business, in particular, sales of our OBM products in the overseas markets, our online sales and sales of personal care products in the PRC; and (2) target our investor base more effectively. Our Company can then be valued on a standalone basis, which can release the true implied value of our business.

(ii) Clear delineation between the businesses of the Remaining China Aluminum Cans Group and our Group enables investors to properly appraise and assess the value and performance of our Group independently from the Remaining China Aluminum Cans Group

There are clear strategic and operational differences between the businesses of the Remaining China Aluminum Cans Group and our Group. The nature of business, sources of revenue, product offerings, market focus, target customers and suppliers of the Remaining China Aluminum Cans Group and our Group are vastly different with separate production plants and facilities, management teams and workforce. For details, please refer to the section headed "Relationship with our Controlling Shareholders — Independence of our Group from the Remaining China Aluminum Cans Group — (i) Clear delineation of business" in this listing document. The two businesses require different management skills and offer different profiles of investment return and risk which are appealing to different types of investors. With the Spin-off, investors can choose to invest in either our Company or China Aluminum Cans or both of them.

THE DISTRIBUTION AND SPIN-OFF

The Spin-off allows the Remaining China Aluminum Cans Group to continue to focus on consolidating and enhancing its current market position in the PRC aluminum can manufacturing market, while allowing our Group to further enhance the market penetration of our BOTNY brand and personal care products in the PRC and develop our OBM business in the overseas markets. It provides our stakeholders (including our customers and suppliers) with a clear business focus.

The clear delineation between the businesses of the Remaining China Aluminum Cans Group and our Group is expected to enhance the operational, managerial and financial transparency of, and enable investors to separately appraise the strategies, exposure, growth potential, risks and investment returns of the respective businesses of, the Remaining China Aluminum Cans Group and our Group, achieving a clear and fair valuation for both the Remaining China Aluminum Cans Group and our Group and therefore unlocking the intrinsic value of our Group, details of which are set out below. Through the Spin-off and the Listing, our Group will be valued independently and the investors will be provided with more information on the operating performance of our Group.

After the Spin-off, our Group will be classified in the aerosol products industry with clear market positioning to be appraised by the investors against other comparable companies in the market. It allows investors who are interested in our Group's business to directly invest in our Company instead of China Aluminum Cans.

(iii) The implied value of the business of our Group can be unlocked with a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole prior to the Spin-off

The businesses and the perceived valuations of the Remaining China Aluminum Cans Group and our Group are entirely different.

Difference in growth prospects of the Remaining China Aluminum Cans Group and our Group

The Remaining China Aluminum Cans Group is engaged in the manufacturing and sale of monobloc aluminum aerosol cans without its own brand whereas our Group is engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products principally under our BOTNY brand as well as personal care products and other products including household products. The difference in the nature of business, business model and product offering results in the difference in the growth prospects of the Remaining China Aluminum Cans Group and our Group.

Current undervaluation of the China Aluminum Cans Shares

During the period from 20 May 2015 (i.e. the date of completion of the acquisition of Topspan) to 28 September 2018 (i.e. the date of announcement of the proposed Spin-off), the China Aluminum Cans Shares were traded at price-to-earnings multiples (the “P/E(s)”) ranging from approximately 6.76 times to approximately 14.33 times with an average of approximately 9.55 times (the “**China Aluminum Cans Average P/E**”). Analysis of comparable companies (listed in Hong Kong and oversea markets) and/or comparable transactions as at the Latest Practicable Date showed that (a) companies engaged in metal packaging business or manufacturing and sale of car care products were

THE DISTRIBUTION AND SPIN-OFF

generally valued at P/Es higher than the China Aluminum Cans Average P/E, indicating that the China Aluminum Cans Shares had been undervalued; (b) each of our Group and the Remaining China Aluminum Cans Group had a market value of above HK\$500 million; and (c) that the valuation of our Group perceived by the market was higher than that of the Remaining China Aluminum Cans Group.

Basis on how the intrinsic values of the Remaining China Aluminum Cans Group and our Group can be unlocked through the Spin-off

Given the undervaluation of the China Aluminum Cans Shares, the China Aluminum Cans Board and our Board expect that the Spin-off will unlock the intrinsic values of both the China Aluminum Cans Shares and our Shares.

In assessing whether there is any enhancement in values of the China Aluminum Cans Shares and our Shares upon completion of the Spin-off, the China Aluminum Cans Board and our Board have considered comparable spin-off transactions (the “**Comparable Spin-off Transactions**”) since 1 January 2013 for separate listings on the Stock Exchange in which (a) the parent company had a market capitalisation of below HK\$2 billion immediately prior to first announcement of the proposed spin-off, as compared to the market capitalisation of China Aluminum Cans of approximately HK\$1.2 billion as at 28 September 2018, the date of announcement of the proposed Spin-off; and (b) the spin-off company would cease to be a subsidiary of the parent company upon completion of the proposed spin-off, as in the case of the Spin-off. For each of the four Comparable Spin-off Transactions identified based on the aforesaid criteria, the aggregate of the market capitalisations of the parent company and the spin-off company on the first date of listing of the spin-off company was enhanced by a range of approximately 16.0% to 80.8% as compared to the market capitalisation of the parent company immediately prior to first announcement of the proposed spin-off, indicating an enhancement of the value of the remaining business and the spin-off business as a whole. It should be noted that the determination of the market capitalisation of each of China Aluminum Cans and our Company upon completion of the Spin-off solely based on the current market capitalisation of China Aluminum Cans does not take into account such value enhancement.

Based on the above, the China Aluminum Cans Board and our Board expect that the implied value of the business of our Group can be unlocked with a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole.

(iv) The Spin-off will facilitate the further development of our Group and provide separate fundraising platforms for the Remaining China Aluminum Cans Group and our Group with respect to their respective operations, future developments and investment opportunities

The Spin-off will enable the Remaining China Aluminum Cans Group and our Group to directly and independently access both the debt and equity capital markets to fund their respective operations, future developments and investment opportunities, and at pricing that reflects the risk and reward profiles of their respective businesses. Our Company will enjoy enhanced flexibility to grow our business free of actual or perceived constraints as a wholly-owned subsidiary of China Aluminum Cans.

THE DISTRIBUTION AND SPIN-OFF

The enhanced access to capital by virtue of our Group's separate listing status is expected to support our future expansion plans, primarily for sales of our OBM products in the overseas markets and our online retail stores as well as sales of personal care products in the PRC which we consider with ample growth potential, without reliance on China Aluminum Cans to do so. This will not only help strengthen our leading position in the industry of automotive beauty and maintenance aerosol products on one hand, but also serve to provide additional funding channel for us to further expand our business. It is therefore expected that the separate listing platforms will improve the capital raising capability of both the Remaining China Aluminum Cans Group and our Group, as both entities will be able to target their respective shareholder bases more effectively.

Given that the implied value of the business of our Group can be unlocked at a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole as explained above, it is expected that our Company can conduct equity financing at a better valuation than China Aluminum Cans does prior to the Spin-off.

- (v) China Aluminum Cans will be able to return value to its shareholders in the form of liquid securities which are expected to be traded at a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole prior to the Spin-off**

In accordance with the requirements of Practice Note 15 of the Listing Rules, China Aluminum Cans will give due regard to the interests of its shareholders by providing the Qualifying China Aluminum Cans Shareholders with an assured entitlement to our Shares by way of the distribution in specie of our Shares if the Spin-off proceeds, whereby upon the Listing, the Qualifying China Aluminum Cans Shareholders will be entitled to one Share for every four China Aluminum Cans Shares held by them as at the Distribution Record Date.

As a result, the Qualifying China Aluminum Cans Shareholders are being given, via the Distribution, an asset that should, upon Listing, represent a liquid asset, that gives each Qualifying China Aluminum Cans Shareholder the choice to remain invested or readily realise or alter the mix of his/her investment (as between cash and our Shares).

Based on the analysis on the Comparable Spin-off Transactions as explained above, upon completion of the Spin-off, the aggregate of the market values of the China Aluminum Cans Shares and our Shares held by each Qualifying China Aluminum Cans Shareholder on the first date of Listing is expected to be higher than the market value of such China Aluminum Cans Shares on 28 September 2018, the date of announcement of the proposed Spin-off, resulting in a value enhancement, which is in the interests of the China Aluminum Cans Shareholders.

THE DISTRIBUTION AND SPIN-OFF

- (vi) After the Listing, the respective management teams of our Group and the Remaining China Aluminum Cans Group will be appraised independently based on their performance which helps promote better staff motivation**

The Share performance of our Company can serve as a separate benchmark for our Shareholders and the investing public to evaluate the performance of our Group which could in turn serve as an incentive for the management of our Group to seek improvement and raise management and operating efficiency of our Group on an ongoing basis. Furthermore, the management of our Group will be individually at stake with the compliance of the Listing Rules, in particular the Corporate Governance Code and be more concentrated and adequately observe the Listing Rules as a whole.

Following the Spin-off, our Company will be able to offer equity based incentive programs (such as share option scheme) that correlate directly to the performance of our Group to our management and employees and will therefore be in a better position to motivate our management and employees with incentive programs that closely align with the objective of shareholder value creation, resulting in enhanced employee passion and loyalty. It will also enhance our ability to recruit the best talents available.

- (vii) The Spin-off will allow the management teams of both our Group and the Remaining China Aluminum Cans Group to focus more effectively on their respective core businesses, streamlining their respective decision-making processes and enhancing responsiveness to market changes**

The Spin-off will allow the management teams of both our Group and the Remaining China Aluminum Cans Group to focus more effectively on their respective core businesses and expertise and to improve their abilities to recruit, motivate and retain key management personnel for each line of business as well as to expediently and effectively capitalise on any business opportunities that may arise, with segregation of business and operational risk. The more efficient allocation of resources which specifically caters for the respective business needs is believed to assist both the Remaining China Aluminum Cans Group and our Group in streamlining their respective decision-making processes and enhancing responsiveness to market changes. Our Group will formulate and implement business strategies towards enhancing our brand image by leveraging on the respective expertise and industry knowledge of our executive Directors, Mrs. Lin, Ms. Flora Lin, Mr. Alex Lin and Mr. Yang, while the Remaining China Aluminum Cans Group will benefit from a more focused approach to maximise synergies of its existing business under the leadership of Mr. Lin. Furthermore, our Board and management will implement a series of effective corporate governance measures in compliance with the Listing Rule and our compliance status will be fully disclosed in our ongoing interim and annual reports.

BUSINESS

OVERVIEW

We are a leading automotive beauty and maintenance aerosol product manufacturer in the PRC. According to the CIC Report, in 2018, we were ranked first in the manufacturing of aerosol products used in the automotive beauty and maintenance market in the PRC in terms of revenue, with a market share of approximately 13.2%, and the sales volume of aerosol products constituted approximately 20% of the total sales volume of products used in the automotive beauty and maintenance market in the PRC in 2018.

We are engaged in the design, development, manufacture and sale of a wide range of automotive beauty and maintenance products including auto cleaning and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners. The automotive beauty and maintenance products are in the form of aerosol and non-aerosol products. We also design, develop, manufacture and sell personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash) and other products including household products (such as paint and floor polish). A majority of the products we sold during the Track Record Period were aerosol products.

For the three years ended 31 December 2018, our revenue was approximately, HK\$526.9 million, HK\$518.4 million and HK\$610.9 million, respectively. Set out below is a breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December					
	2016	% of	2017	% of	2018	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Automotive beauty and maintenance products						
- aerosol products	412,739	78.3%	390,573	75.3%	417,474	68.3%
- non-aerosol products	63,551	12.1%	59,077	11.4%	62,755	10.3%
Subtotal	476,290	90.4%	449,650	86.7%	480,229	78.6%
Personal care products	44,507	8.4%	59,339	11.4%	125,920	20.6%
Other products (<i>Note</i>)	6,058	1.2%	9,392	1.9%	4,715	0.8%
Total	526,855	100.0%	518,381	100.0%	610,864	100.0%

Note: "Other products" include household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

BUSINESS

During the Track Record Period, we derived most of our revenue from our automotive beauty and maintenance products. Whilst we focus on the supply of automotive beauty and maintenance products, we have the vision to explore markets with growth potential. In November 2017, we entered into an equity transfer agreement regarding the acquisition of Guangzhou Euro Asia which is primarily engaged in the design, development, manufacture and sale of personal care products. For the three years ended 31 December 2018, revenue attributable to our personal care products was approximately HK\$44.5 million, HK\$59.3 million and HK\$125.9 million, respectively.

According to the CIC Report, along with the increasing awareness of personal appearance and the development of personal care products market, the sales volume of aerosol products in this market increased significantly from 2014 to 2018, representing a CAGR of 10.1%. Driven by the expansion of distribution channels for aerosol products and with the increasing purchasing power enjoyed by consumers, the sales volume of aerosol products used in the personal care products market is forecasted to rise continually at a CAGR of 6.9% between 2018 and 2023.

We supply our products on both OBM basis and CMS basis. Our OBM products represent original brand manufacturing products, that is, products which we design, develop, manufacture and sell under our own or licensed brand names. Our award-winning BOTNY (保賜利) brand is our signature brand. Among other awards, our BOTNY (保賜利) brand was selected as one of the Top 100 Automotive Post-market Brands* (2018中國汽車後市場百強品牌) by Global Automotive Media Recommendation Center* (全球汽車媒體聯薦中心) (*Note 1*) and the CIAACE Committee* (CIAACE中國汽車用品暨改裝汽車展覽會組委員會) (*Note 2*) in 2018 and the ternary catalytic restoration agent (三元催化修復劑) under our BOTNY (保賜利) brand was awarded 2016 Recommended Product* (2016年推薦大獎) by Auto Magazine* (汽車雜誌) (*Note 3*). For the three years ended 31 December 2018, we derived approximately 57.6%, 59.2% and 52.5% of our revenue from our supply of OBM products, respectively. Among the sales of our OBM products, approximately 77.0%, 80.4% and 81.6% were attributable to our BOTNY (保賜利) brand, respectively. Our OBM customers comprise contractual and non-contractual distributors in the PRC, customers who purchase through our online retail stores, overseas OBM customers and other OBM customers. As at 31 December 2018, we had a nationwide network of over 190 contractual distributors and over 600 non-contractual distributors in the PRC.

In 2013, we started to sell our OBM products to overseas markets. For the three years ended 31 December 2018, overseas sales of our OBM products (with reference to the locations of registered offices of our customers) amounted to approximately HK\$6.1 million, HK\$8.6 million and HK\$8.3 million, representing approximately 1.2%, 1.7% and 1.4% of our revenue, respectively.

We also have two online stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com. We plan to increase our sale of OBM products, enhance our brand recognition and achieve a broader consumer base through our e-commerce strategies. In particular, we have introduced a new series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand which in particular targets young car owners in the PRC in October 2018 initially through online platforms. We have also sold products under our new series through our distributors. In addition, we have introduced user-friendly automotive beauty and maintenance products together with the slogan “讓汽車美容養護更簡單 (Easy Car Care Easy Life)”.

BUSINESS

Our CMS products, on the other hand, represent contract manufacturing service products, that is, products we manufacture which are marketed and sold under our customers' brand names. Our CMS products are manufactured on OEM basis or ODM basis. In the case of OEM, we manufacture our CMS products in accordance with our customers' designs and specifications. In the case of ODM, we design, develop and manufacture our CMS products. For the three years ended 31 December 2018, we derived approximately 42.4%, 40.7% and 47.5% of our revenue from our supply of CMS products, respectively. During the Track Record Period, a substantial part of our CMS products were distributed overseas, and Japan was the top overseas market (based on the locations of the registered offices of our customers) of our products.

We have been honoured with awards from various associations and governmental authorities. For example, in 2018, we were selected as one of the Top 10 China Automotive Industry - Automotive Beauty and Maintenance Companies* (中國汽車後服務行業汽車美容護理類 Top 10) by China Auto Dealers Chamber of Commerce (CADCC)* (中華全國工商業聯合會汽車經銷商商會) (Note 4), and in 2017, we were awarded with the Wealth Pyramid Award - Top 10 Car Beautification Brands for the Year* (財富金字塔獎年度汽車美容十大品牌) and the Wealth Pyramid Award - Top 10 Automotive Beauty and Maintenance Brands for the Year* (財富金字塔獎年度汽車保養十大品牌) by China Automobile Aftermarket Association* (中國汽車後市場總會) (Note 5) and the Guangdong Brand Product* (廣東省名牌產品) by the Guangdong Brand Product Promotion Commission* (廣東省名牌產品推進委員會) (Note 6).

Notes:

1. Global Automotive Media Recommendation Center* (全球汽車媒體聯薦中心) is an affiliation of media companies with a focus in the automobile industry which operates through the YASN International (雅森國際) platform. YASN International (雅森國際) is an established professional trade fairs and exhibitions organiser in the PRC.
2. CIAACE Committee* (CIAACE中國汽車用品暨改裝汽車展覽會組委員會) is a professional trade fairs and exhibitions organiser with a focus on the PRC auto aftermarket which was established in 2005. As stated in its website (<http://www.ciaacexpo.com>), CIAACE is the only professional exhibition for auto aftermarket approved by UFI (The Global Association of the Exhibition Industry (國際展覽業協會)) and the number of exhibitors of CIAACE exceeded 10,000 in 2018.
3. Auto Magazine* is affiliated with Hot Fire Media* (熱火傳媒), a professional media group founded in 2002.
4. China Auto Dealers Chamber of Commerce (CADCC)* (中華全國工商業聯合會汽車經銷商會) is a non-profit industry body established in 2006 with a focus on automobile distributorship in the PRC.
5. China Automobile Aftermarket Association* (中國汽車後市場總會) is a non-profit national association founded in 2010 to formulate rules and regulations so as to standardise and maintain the sustainable development of the automobile aftermarket in the PRC.
6. Guangdong Brand Product Promotion Commission* (廣東省名牌產品推進委員會) is a committee of the Administration of Quality and Technology Supervision of Guangdong Province* (廣東省質量技術監督局) which is a PRC administration body. The commission is responsible for supervision and revision of regulations and standards for famous brand industrial products in Guangdong province.

BUSINESS

COMPETITIVE STRENGTHS

Market leader in the manufacturing of automotive beauty and maintenance aerosol products in the PRC which is well positioned to benefit from the growth in the PRC automotive beauty and maintenance aerosol product market

We are a leading automotive beauty and maintenance aerosol product manufacturer in the PRC with 18 years of experience in the automotive beauty and maintenance industry. According to the CIC Report, in 2018, we were ranked first in the manufacturing of aerosol products used in the automotive beauty and maintenance market in the PRC in terms of sales revenue, with a market share of approximately 13.2%, and the sales volume of aerosol products constituted approximately 20% of the total sales volume of products used in the automotive beauty and maintenance market in the PRC in 2018.

Given our well established presence in the PRC automotive beauty and maintenance industry, our Directors believe that we are well positioned to benefit from the growth in the PRC automotive beauty and maintenance product market. According to the CIC Report, total consumer expenditure of products in the automotive beauty and maintenance market in the PRC increased significantly from approximately RMB157.3 billion in 2014 to approximately RMB285.2 billion in 2018, representing a CAGR of approximately 16.0%. The growth in total consumer expenditure of products in the automotive beauty and maintenance market in the PRC is expected to grow at a CAGR of approximately 10.6% between 2018 and 2023.

Stringent quality control standards and outstanding product quality

Guangzhou Botny is accredited with the following certifications from Zhongjian Certification Co., Ltd.* (中鑒認證有限責任公司): (i) GB/T19001-2016/ISO9001:2015 standard quality management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and heat insulation coating products; and (ii) GB/T24001-2016/ISO14001:2015 environmental management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and heat insulation coating products and the related management system. Both certificates were awarded on 26 July 2016 and will remain valid until 25 July 2019. Guangzhou Euro Asia is accredited with the following certifications from Zhongjian Certification Co., Ltd.* (中鑒認證有限責任公司): (i) GB/T19001-2016/ISO9001:2015 standard quality management certification for our design, production and sale of aerosol products, cleaning agents, wax products and skincare, haircare class cosmetics; and (ii) ISO9001:2015 quality management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and skincare, haircare class cosmetics. Both certificates were awarded on 1 August 2017 and will remain valid until 31 July 2020.

Our outstanding product quality is reflected in our product return rates. Our product returns during the Track Record Period only amounted to approximately HK\$0.6 million, HK\$1.1 million and HK\$1.1 million, accounting for approximately 0.1%, 0.2%, and 0.2% of our total revenue, respectively for the three years ended 31 December 2018. During the Track Record Period and as at the Latest Practicable Date, (i) we were not subject to material product complaints or regulatory fines and penalties in the PRC regarding product quality or safety; and (ii) we did not have material sales return or product recall.

BUSINESS

Strong research and development ability

Our Directors believe that our research and development capability provides us with a competitive edge over our competitors in the PRC and is a crucial factor for our success. As at the Latest Practicable Date, our quality control and technical supervision department had 68 employees. It is divided into the following teams: (i) quality assurance; and (ii) technical supervision (including product engineering). As at the Latest Practicable Date, our executive Director and the head of our safety department and quality control and technical supervision department, Mr. Yang, had over 18 years of experience in quality management and technical supervision in aerosol manufacturing and filling. He joined Guangzhou Botny in September 2000. As at the Latest Practicable Date, other key personnel of the quality control and technical supervision department had approximately five to 15 years of experience in the research and development and/or quality control of car care products, personal care products or household products. In order to further strengthen our capability in research and development, we work in collaboration with the Chemical Engineering Faculty of the Guangzhou University (廣州大學精細化工研究所) in research and development of environmental friendly products.

We are dedicated to new product development and strive to develop more environmental friendly automotive beauty and maintenance aerosol products, that is, automotive beauty and maintenance aerosol products which are water-based, low-VOC and not harmful. For example, in 2017, we launched a water-based environmental spray paint (水性環保噴漆) (sold on OBM basis under our BOTNY (保賜利) brand) which is an environmental friendly aerosol paint.

In recognition of our strong technology and production development capability, our key operating subsidiary, Guangzhou Botny, has been accredited as High-tech enterprise (高新技術企業) since 2008.

As at the Latest Practicable Date, we had registered in the PRC six invention patents and 12 utility model patents. For more details, please refer to the section headed “Business — Research and development” in this listing document.

Diversified product portfolio

We are engaged in the design, development, manufacture and sale of a wide range of automotive beauty and maintenance products including auto cleaning and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners. We also design, manufacture and sell personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash) and other products including household products (such as paint and floor polish). A majority of the products we sold during the Track Record Period were aerosol products.

We are equipped with high-tech automated production facilities and we believe that our technological prowess enables us to develop and produce diversified and customised products, in particular, products with environmental friendly formulations, such as water-based and organic products.

BUSINESS

Well-established business relationship with our OBM customers

We supply many of our OBM products through our network of distributors across the PRC. As at 31 December 2018, we had over 190 contractual distributors and over 600 non-contractual distributors. We have well-established relationships with our distributors. Our top five OBM customers during the Track Record Period which were all contractual distributors have over three years of relationship with us.

We believe that we are able to leverage on the strength of the distribution channels of our distributors to efficiently distribute our products and reach consumers in different regions of the PRC.

Experienced management team

We have a management team with extensive experience and knowledge in corporate management and/or aerosol industry in the PRC.

Our executive Director, chairman and chief executive officer, Mrs. Lin, joined our Group in August 2000 and is responsible for formulating business strategies and planning the business development of our Group. Our executive Director and the head of our procurement department, Ms. Flora Lin, has over 6 years of experience in the content filling of aerosol cans and non-aerosol cans and the design, development, manufacture and sale of aerosol and non-aerosol products. Our executive Director and the head of our sales and marketing department, Mr. Alex Lin, has over 4 years of experience in the content filling of aerosol cans and non-aerosol cans and the design, development, manufacture and sale of aerosol and non-aerosol products. He has been the director of the Aerosol Committee of China Packaging Federation* (中國包裝聯合會氣霧劑專業委員會) since October 2014, the vice president of Guangdong Chamber of Automotive Supplies* (廣東省汽車用品商會) since December 2015 and the vice president of Guangdong Association for Standardisation* (廣東省標準化協會) since December 2017. Our executive Director and the head of our safety department and quality control and technical supervision department, Mr. Yang, is responsible for overseeing the quality checking and research and development of our Group and has over 18 years of experience in quality management and technical supervision in aerosol manufacturing and filling. Our head of production department, Mr. Zhang Zhiming, joined our Group in February 2002 and is responsible for the overall management of the production of our Group.

Please refer to the biographies of our Directors and senior management team in the section headed “Directors, senior management and employees” of this listing document.

Our Directors believe that the extensive experience and technical know-how of our management team, as well as that of our skilled employees, are essential to our success and further development.

BUSINESS

BUSINESS STRATEGIES

We plan to further develop our OBM business

We believe that developing our OBM business is the most effective way to establish our own brand image so as to gain wide market recognition in the PRC and our overseas markets and obtain a higher profit margin of our business. We therefore plan to allocate more resources to our OBM business, and further develop our OBM business through the following business strategies:

1. Broadening the international markets of our OBM products

During the Track Record Period, we supplied most of our OBM products in the PRC. According to the CIC Report, the PRC is one of the leading countries exporting aerosol products to overseas markets and the automotive beauty and maintenance market is one of the essential downstream markets for aerosol products. The total export volume of aerosol products used in the automotive beauty and maintenance market in the PRC increased from approximately 49.8 million units in 2014 to approximately 76.5 million units in 2018, representing a CAGR of approximately 11.3%. With an increasing number of young generations purchasing new cars and with an increasing demand for automotive beauty and maintenance services in the global market, the total export volume of aerosol products used in the automotive beauty and maintenance market from China is expected to grow at a CAGR of 4.8% between 2018 and 2023. Our Directors consider there is a market potential for our automotive beauty and maintenance products in overseas markets, in particular the Middle East, India and the Philippines.

In 2013, we started to sell our OBM products under the BOTNY (保賜利) brand to overseas markets. For the three years ended 31 December 2018, overseas sales of our OBM products amounted to approximately HK\$6.1 million, HK\$8.6 million and HK\$8.3 million, representing approximately 1.2%, 1.7% and 1.4% of our total revenue, respectively. While there was an increase of approximately 40.9% in overseas sales of our OBM products for the year ended 31 December 2017, overseas sales of our OBM products decreased by approximately 3.7% for the year ended 31 December 2018, as compared to the previous year, primarily due to the cessation of our sales to customers in Countries subject to International Sanctions and Sanctioned Persons during 2018. Irrespective of such slight dip, overseas sales of our OBM products increased at a CAGR of 16.6% during the period from 2016 to 2018. In particular, sales of our OBM products to Pakistan increased from approximately HK\$0.3 million for the year ended 31 December 2016 to approximately HK\$2.9 million for the year ended 31 December 2018 and sales of our OBM products to the Philippines increased from approximately HK\$0.2 million for the year ended 31 December 2016 to approximately HK\$2.1 million for the year ended 31 December 2018.

2. Continuing to implement our e-commerce strategies

According to National Bureau of Statistics of China, the penetration rate of internet users in China increased from 47.9% in 2014 to 59.6% in 2018, which has helped to boost the development of the e-commerce market in China in recent years. The significant growth in online market creates more opportunities for the sales of aerosol products in China, and enables the manufacturers to carry out their sales business in a more efficient and effective way.

BUSINESS

According to the CIC Report, with the continued increase in the internet penetration rate and the rapid development of the e-commerce market in the PRC, consumers have become accustomed to online shopping, and thus the expansion of online channels has provided great opportunities for the continued development of the automotive beauty and maintenance market and aerosol product market. The penetration rate of online channels for automotive beauty and maintenance products and services in the market (except 4S stores) in terms of sales revenue increased gradually from 5.1% in 2015 to 16.0% in 2018. With continuous increase in internet penetration and changing customer behavior, the penetration rate of online channels is expected to continue increasing, which in turn provide greater growth potential in the automotive beauty and maintenance market. Car owners between the ages of 20 and 35 years old accounted for approximately 50% to 55% of total car owners in China in 2018. These people are expected to be the major consumption force of the automotive aftermarket. In particular, they are more inclined to online consumption, and this consumption habit is likely to drive the development of the online channels in the automotive beauty and maintenance market.

We have set up an online retail store “保賜利旗艦店” at Tmall and an online retail store “保賜利京東自營旗艦店” at JD.com, and may consider establishing other online platform(s) to further expand the sales of our automotive beauty and maintenance products, personal care products and other products. Revenue attributable to our online stores only contributed approximately 0.3% of our total revenue for each of the two years ended 31 December 2017 and approximately 1.5% of our total revenue for the year ended 31 December 2018. We believe that further penetration into online platforms through our marketing and promotional activities will allow us to increase our sales, enhance our brand recognition and achieve a broader consumer base. Please refer to the section headed “Business — Business strategies — We plan to further develop our OBM business — 4. Further enhancing our brand recognition, particularly among young people in the PRC” in this listing document for more details on our marketing and promotion efforts.

3. *Launching a new series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand*

According to the CIC Report, car owners between the ages of 20 and 35 years old accounted for approximately 50% to 55% of total car owners in China in 2018. Young generation advocates individualism and they prefer to decorate their automobiles with easy-applied automotive beauty and maintenance products. These people are the major consumption force of the automotive aftermarket.

We have launched a new series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand together with our new slogan “讓汽車美容養護更簡單 (Easy Car Care Easy Life)” in October 2018 initially through online platforms. We have also sold our products under our new series through our distributors. This new brand targets young car owners in the PRC and the introduction of this new series is for the repositioning of our corporate image and for broadening our clientele. We have engaged a reputable designer, Dongdao Creative Branding Group (東道品牌創意集團), which has designed the logos for various established institutions and high-profile events including the 2016 G20 Hangzhou Summit, BRICS 2017 China and The Belt and Road, to design the logo of our new 保寶龍 series. Whilst we believe in the growth potential of our products under our new 保寶龍 series, as it takes time to establish a new line of products, we expect the other products under our BOTNY (保賜利) brand to remain our main revenue driver in the near future.

BUSINESS

4. *Further enhancing our brand recognition, particularly among young people in the PRC*

We plan to further build up brand loyalty of consumers through marketing and promotion campaigns to reduce our reliance on distributors as a distribution channel. We will keep up with our current strategies in promoting our brand including increasing our interaction with young people through social media and other online platforms and sponsorship to pop music concerts. Please refer to the section headed “Business - Marketing and promotion” in this listing document for more details.

We plan to further expand into the personal care products market in the PRC

According to the CIC Report, the sales volume of aerosol products used in the personal care products market in the PRC increased significantly from approximately 267.6 million units in 2014 to approximately 393.8 million units in 2018, representing a CAGR of approximately 10.1%. Driven by the expansion of distribution channels for aerosol products and with the increasing purchasing power enjoyed by consumers, the sales volume of aerosol products used in the personal care products market is forecasted to rise continuously at a CAGR of 6.9% between 2018 and 2023. Our Directors consider there is a market potential for the personal care products in the PRC.

Whilst we focus on the supply of automotive beauty and maintenance products, we have the vision to explore markets with growth potential. In March 2018, we acquired Guangzhou Euro Asia which is primarily engaged in the design, development, manufacture and sale of personal care products. For the three years ended 31 December 2018, revenue attributable to our personal care products was approximately HK\$44.5 million, HK\$59.3 million and HK\$125.9 million, respectively, indicating an increasing demand for our personal care products.

Our major personal care products include sunscreens and moisturisers. In June 2018, in view of the growth in the sales of our personal care products, we installed a new dyadic packaging production line for the production of personal care products.

We plan to further enhance our research and development ability

Since 2017, we have been focusing on the research and development of environmental friendly products and more cost effective products in response to perceived market trends and at the request of our customers. We plan to adopt similar research and development strategies going forward. Please refer to the section headed “Business – Our products – New products launched in 2018” in this listing document for more details.

BUSINESS

OUR PRODUCTS

Our products can be broadly classified into the following categories: (i) automotive beauty and maintenance products including auto cleaning and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners; (ii) personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash); and (iii) other products including household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools. Set out below is a breakdown of our Group's revenue by product categories during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Automotive beauty and maintenance products						
- Aerosol products	412,739	78.3%	390,573	75.3%	417,474	68.3%
- Non-aerosol products	<u>63,551</u>	<u>12.1%</u>	<u>59,077</u>	<u>11.4%</u>	<u>62,755</u>	<u>10.3%</u>
Subtotal	476,290	90.4%	449,650	86.7%	480,229	78.6%
Personal care products	44,507	8.4%	59,339	11.4%	125,920	20.6%
Other products (<i>Note</i>)	<u>6,058</u>	<u>1.2%</u>	<u>9,392</u>	<u>1.9%</u>	<u>4,715</u>	<u>0.8%</u>
Total	<u>526,855</u>	<u>100.0%</u>	<u>518,381</u>	<u>100.0%</u>	<u>610,864</u>	<u>100.0%</u>

Note: "Other products" include household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

BUSINESS




The following table sets forth our revenue by product categories for each of our OBM and CMS business models during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
OBM products						
Automotive beauty and maintenance products						
- Aerosol products	250,237	47.5%	252,454	48.7%	262,872	43.0%
- Non-aerosol products	52,023	9.9%	53,527	10.3%	57,019	9.3%
Household products	<u>1,106</u>	<u>0.2%</u>	<u>1,139</u>	<u>0.2%</u>	<u>907</u>	<u>0.2%</u>
Subtotal	<u>303,366</u>	<u>57.6%</u>	<u>307,120</u>	<u>59.2%</u>	<u>320,798</u>	<u>52.5%</u>
CMS products						
Automotive beauty and maintenance products						
- Aerosol products	162,502	30.9%	138,119	26.7%	154,602	25.3%
- Non-aerosol products	11,528	2.2%	5,550	1.1%	5,736	1.0%
Personal care products	44,507	8.4%	59,339	11.4%	125,920	20.6%
Household products	<u>4,717</u>	<u>0.9%</u>	<u>7,937</u>	<u>1.5%</u>	<u>3,691</u>	<u>0.6%</u>
Subtotal	<u>223,254</u>	<u>42.4%</u>	<u>210,945</u>	<u>40.7%</u>	<u>289,949</u>	<u>47.5%</u>
Others <i>(Note)</i>	<u>235</u>	<u>0.0%</u>	<u>316</u>	<u>0.1%</u>	<u>117</u>	<u>0.0%</u>
Total	<u><u>526,855</u></u>	<u><u>100%</u></u>	<u><u>518,381</u></u>	<u><u>100%</u></u>	<u><u>610,864</u></u>	<u><u>100.0%</u></u>

Note: “Others” include packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

The shelf life of our products is usually up to five years. A majority of the products we sold during the Track Record Period were aerosol products.




We set out below our major products under each product series which we sold on either OBM or CMS basis during the Track Record Period:

BUSINESS									
Product series	Product	Sample photo	Packaged in ml/g/L/Oz	Selling price (or price range) per unit ^(Note) during the Track Record Period	Quantity sold			Revenue	
					For the year ended 31 December			For the year ended 31 December	
				HK\$	2016 units	2017 units	2018 units	2016 HK\$'000	2017 HK\$'000
Automotive beauty and maintenance products Auto cleaning and maintenance products	Botny sticker remover (multi-functional)		450ml	1.11 to 22.14	391,134	3,137,946	4,244,788	2,192	17,449
									24,765
	Botny de-rust lubricating spray		400ml	3.28 to 17.27	4,285,359	4,215,739	4,350,983	22,215	21,560
									23,709
	Botny leather and tyre wax		450ml	3.00 to 13.51	2,116,774	2,225,742	2,081,954	9,655	10,037
									9,961

BUSINESS


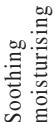



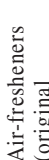
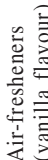
Product series	Product	Sample photo	Packaged in ml/g/L/Oz	Selling price (or price range) per unit ^(Note) during the Track Record Period HK\$	Quantity sold			Revenue	
					For the year ended 31 December	2016	2017	2018	2019
					units	units	units	units	HK\$'000
Paint and coating	Botny aerosol paint (No. 39 black)		400ml	3.10 to 16.49	1,778,202	1,764,622	1,750,405	7,385	7,247
	Botny aerosol paint (No. 40 white)		400ml	3.36 to 16.56	1,097,392	1,152,039	1,133,191	4,546	4,716
	Botny chrome effect spray paint		300ml	4.26 to 23.53	559,768	664,309	528,811	3,361	3,867
									3,274

BUSINESS



Product series	Product	Sample photo	Packaged in ml/g/L/Oz	Selling price (or price range) per unit ^(Note) during the Track Record Period HK\$	Quantity sold			Revenue	
					For the year ended 31 December	For the year ended 31 December	For the year ended 31 December	2016	2017
					2016 units	2017 units	2018 units	HK\$'000	HK\$'000
Winter and summer specials	Botny R-134a refrigerant (tinplate can)		250g	7.03 to 16.26	150,945	265,516	269,924	1,312	2,206
	Botny R-134a refrigerant (tinplate can)		200g	5.49 to 11.97	55,230	109,241	156,360	426	764
	Botny low temperature starting agent (400ml)		400ml	4.20 to 15.14	190,201	167,799	182,147	1,101	960
									1,090

BUSINESS

Product series	Product	Sample photo	Packaged in ml/g/L/Oz	Selling price (or price range) per unit ^(Note) during the Track Record Period HK\$	Quantity sold			Revenue		
					For the year ended 31 December			For the year ended 31 December		
					2016 units	2017 units	2018 units	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Air-fresheners	Botny air freshener (lemon flavour)		330ml	3.75 to 6.00	50,468	51,951	45,570	251	252	227
	Botny air freshener (jasmine flavour)		330ml	3.75 to 5.83	42,982	47,136	36,084	213	229	181
	Botny air freshener (international flavour)		330ml	3.64 to 13.81	84,565	88,187	85,798	419	423	433

BUSINESS										
Product series	Product	Sample photo	Packaged in ml/g/L/Oz	Selling price (or price range) per unit ^(Note) during the Track Record Period HK\$	Quantity sold			Revenue		
					For the year ended 31 December		2018	For the year ended 31 December		2017
					2016	2017	2018	2016	2017	2018
					units	units	units	HK\$'000	HK\$'000	HK\$'000
Personal care products	Sunscreens		220ml	2.52 to 2.60	NA	97,931	492,517	NA	247	1,274
			120ml	4.16 to 4.20	NA	NA	538,520	NA	NA	2,242
Skin care products	Soothing moisturising spray		50ml	4.78 to 5.56	NA	247,297	550,016	NA	1,257	3,050
			120ml	5.99 to 7.53	NA	95,414	650,365	NA	572	4,104
Facial products	Facial cleansing foam		120ml	4.35 to 4.47	596,294	NA	249,849	2,597	NA	1,111
	Rose cleansing mousse		150ml	9.85 to 12.78	10,786	68,705	59,349	138	701	607
	Rose cleansing foam		150ml	12.61 to 13.08	N/A	14,998	30,067	N/A	189	393
Fragrance	Air-fresheners (original flavour)		8Oz	3.91 to 8.45	595,590	738,810	2,967,606	4,399	4,882	24,275
	Air-fresheners (vanilla flavour)		102g	4.26 to 6.28	273,264	190,608	324,576	1,527	958	1,942

BUSINESS

Product series	Product	Sample photo	Packaged in ml/g/L/Oz	Selling price (or price range) per unit ^(Note) during the Track Record Period HK\$	Quantity sold			Revenue			
					For the year ended 31 December			For the year ended 31 December			
					2016 units	2017 units	2018 units	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	
Hair treatment products											
	Hair set and keep spray		45g	3.74 to 6.07	121,590	281,834	590,328	461	1,056	2,263	
	Hair set and keep spray		180g	5.78 to 6.89	352,281	998,056	1,083,888	2,371	6,628	7,369	
	Hair set and keep spray (export to Korea)		180g	5.98 to 6.21	356,620	818,398	633,812	2,162	4,895	3,900	
Household products	Botny deicer		500ml	7.55 to 74.91	24,557	20,216	30,342	213	174	272	

Note: The prices of our products are denominated in RMB or USD. They are presented in Hong Kong Dollars in the above table. For illustrative purposes, the conversion rates are set out below:

For the year ended 31 December 2016:

HK\$0.8558 = RMB1.00

HK\$7.7620 = US\$1.00

For the year ended 31 December 2017:

HK\$0.8673 = RMB1.00

HK\$7.7921 = US\$1.00

For the year ended 31 December 2018:

HK\$0.8431 = RMB1.00

HK\$7.8371 = US\$1.00

BUSINESS

OBM products under our BOTNY (保賜利) brand and other brands

Our OBM products represent original brand manufacturing products, that is, products which we design, develop, manufacture and sell under our own or licensed brand names. We supply our OBM products under a number of brands including BOTNY (保賜利), ATM, ETOMAN (已度明), NISSEI, WIN (勝彩), FOX-D (狐狸), PISCIS (百麗時) and PARLUX (派樂士). The trademarks of these brands are owned by Guangzhou Botny, except for the trademarks of FOX-D (狐狸) and WIN (勝彩) which are owned by China Motor Management Services Limited, a company indirectly wholly-owned by Mr. Lin. Our award-winning BOTNY (保賜利) brand is our signature brand. Among other awards, our BOTNY (保賜利) brand was selected as one of the Top 100 Automotive Post-market Brands* (2018 中國汽車後市場百強品牌) by Global Automotive Media Recommendation Center* (全球汽車媒體聯薦中心) and the CIAACE Committee* (CIAACE中國汽車用品暨改裝汽車展覽會組委員會) in 2018 and the ternary catalytic restoration agent (三元催化修復劑) under our BOTNY (保賜利) brand was awarded 2016 Recommended Product* (2016年推薦大獎) by Auto Magazine* (汽車雜誌). For the three years ended 31 December 2018, we derived approximately 57.6%, 59.2% and 52.5% of our revenue from our supply of OBM products, respectively. Among the sales of our OBM products, approximately 77.0%, 80.4% and 81.6% were attributable to our BOTNY (保賜利) brand, respectively.

Set out below is a breakdown of our revenue attributable to OBM products by brands during the Track Record Period:

Brand Name	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
BOTNY (保賜利) (Note 1)	233,565	44.3%	247,023	47.7%	261,624	42.8%
ATM	22,321	4.2%	17,610	3.4%	16,954	2.8%
FOX-D (狐狸)	9,773	1.9%	9,366	1.8%	8,652	1.4%
PISCIS (百麗時)	17,887	3.4%	16,208	3.1%	16,977	2.8%
PARLUX (派樂士)	13,424	2.5%	11,272	2.2%	10,546	1.7%
Other brands (Note 2)	6,396	1.3%	5,641	1.0%	6,045	1.0%
	<u>303,366</u>	<u>57.6%</u>	<u>307,120</u>	<u>59.2%</u>	<u>320,798</u>	<u>52.5%</u>

Notes:

1. It includes the sales of our new series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand launched in October 2018.
2. “Other brands” represents ETOMAN (已度明), NISSEI, WIN (勝彩), 魔彩 and 栢施.

BUSINESS

New products launched in 2018

In response to perceived market trends and customers' requests, we strive to upgrade our existing products, lower our production cost through technological upgrade and launch new products including new OBM products under our BOTNY (保賜利) brand. Please refer to the section headed "Business - Business strategies" in this listing document for more details on our target new markets. In 2018, we launched a new series of automotive beauty and maintenance products, 保寶龍, under our BOTNY(保賜利) brand which includes the following products:

Product	Mode of sales during the Track Record Period	Description	Sample pictures	Average selling price per packing for the year ended 31 December 2018
				(Notes 1 and 2)
Car anti-bacterial agent (車內抗菌劑)	Sold on OBM basis under our 保寶龍 series of our BOTNY (保賜利) brand	An anti-bacterial sanitiser and deodoriser for cars		HK\$8.82
Tyre rejuvenator (輪胎泡沫光亮劑)	Sold on OBM basis under our 保寶龍 series of our BOTNY (保賜利) brand	A cleaning agent for removing deposits on tyre surface and preventing the cracking and corrosion of tyres		HK\$5.95
Glass waterproof agent (玻璃防霧劑)	Sold on OBM basis under our 保寶龍 series of our BOTNY (保賜利) brand	A cleaning and anti-mist agent which forms a transparent, protective layer on glass such as car windows		HK\$7.09

Notes:

- The average selling price of each product refers to the revenue generated from sales of such product divided by the number of units sold for the year ended 31 December 2018.
- The prices of our products are denominated in RMB or USD. They are presented in Hong Kong Dollars in the above table. For illustrative purposes, the conversion rates for the year ended 31 December 2018 are set out below:

For the year ended 31 December 2018

HK\$0.8431 = RMB1.00

HK\$7.8371 = US\$1.00

BUSINESS

We have been actively marketing this new series through various channels including trade fairs and exhibitions, television program sponsorship and the provision of product samples to supermarkets, and have sold such products at our online store at Tmall and through our distributors. The introduction of this new series is for repositioning our corporate image and to broaden our clientele. With our new 保寶龍 series, we intend to position our automotive beauty and maintenance products as user-friendly products and interact directly with our end consumers, in particular young car owners who made up a majority of total car owners in the PRC according to the CIC Report. The launch of this new brand also comes with the slogan “讓汽車美容養護更簡單 (Easy Car Care Easy Life)”.

Going forward, we plan to adopt a similar research and development and marketing strategy and plan to launch more environmental friendly products and OBM products.

OUR BUSINESS MODEL

Revenue breakdown by business model

Set out below is a breakdown of our revenue by business model during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
OBM						
contractual distributors (Note 1)	189,032	35.9%	194,275	37.5%	205,091	33.6%
non-contractual distributors (Note 2)	95,038	18.0%	91,311	17.6%	85,706	14.0%
online retail stores (Note 3)	1,613	0.3%	1,775	0.3%	8,886	1.4%
overseas OBM customers	6,102	1.2%	8,595	1.7%	8,280	1.4%
other OBM customers (Note 4)	11,581	2.2%	11,164	2.1%	12,835	2.1%
Subtotal	<u>303,366</u>	<u>57.6%</u>	<u>307,120</u>	<u>59.2%</u>	<u>320,798</u>	<u>52.5%</u>
CMS						
Overseas	157,954	30.0%	123,912	23.9%	181,624	29.8%
PRC	<u>65,300</u>	<u>12.4%</u>	<u>87,033</u>	<u>16.8%</u>	<u>108,325</u>	<u>17.7%</u>
Subtotal	<u>223,254</u>	<u>42.4%</u>	<u>210,945</u>	<u>40.7%</u>	<u>289,949</u>	<u>47.5%</u>
Others (Note 5)	<u>235</u>	<u>—</u>	<u>316</u>	<u>0.1%</u>	<u>117</u>	<u>0.0%</u>
Total	<u>526,855</u>	<u>100.0%</u>	<u>518,381</u>	<u>100.0%</u>	<u>610,864</u>	<u>100.0%</u>

BUSINESS

Notes:

1. Our contractual distributors, which entered into distribution agreements with us, sell our OBM products to their sub-distributors, other outlets (including supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers as well as online retailers) and end consumers. For details of the terms of distribution agreements, please refer to the section headed “Business — Our customers — Our OBM customers — (1) Distributors — (i) Contractual distributors — Key terms of distribution agreements” in this listing document.
2. Our non-contractual distributors include our OBM customers which did not enter into distribution agreements with us or few of which failed to execute the distribution agreement properly (i.e. execution of distribution agreements without affixing the company chop). Our major non-contractual distributors include trading companies and wholesalers or retailers of automotive beauty and maintenance products, paint and other chemicals, which may also sell our products to their sub-distributors.
3. Online retail stores represent sales from customers who purchased through our two online stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com.
4. Other OBM customers primarily include trading companies, wholesalers or retailers of automotive beauty and maintenance products, paint, chemicals and hardware and individuals which purchased our OBM products directly from us.
5. Others represent the sale of packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

Please refer to the section headed “Business — Inventory control” in this listing document for more details of the difference between the OBM business model and CMS business model in terms of placing of purchase orders and inventory control.

OBM business model

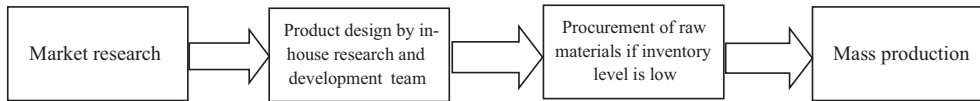
Our OBM products represent original brand manufacturing products, that is, products which we design, develop, manufacture and sell under our own or licenced brand names. Please refer to the section headed “Business — Our products” in this listing document for more details about our OBM products. For the three years ended 31 December 2018, we derived approximately 57.6%, 59.2% and 52.5% of our revenue from our supply of OBM products, respectively. Among the sales of our OBM products, approximately 77.0%, 80.4% and 81.6% were attributable to our BOTNY (保賜利) brand. Our OBM customers mainly comprise contractual and non-contractual distributors in the PRC, customers who purchase through our online retail stores, overseas OBM customers and other OBM customers. In 2013, we started to sell our OBM products under our BOTNY (保賜利) brand to overseas markets. For the three years ended 31 December 2018, overseas sales of our OBM products amounted to approximately HK\$6.1 million, HK\$8.6 million and HK\$8.3 million respectively.

We also have two online stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com.

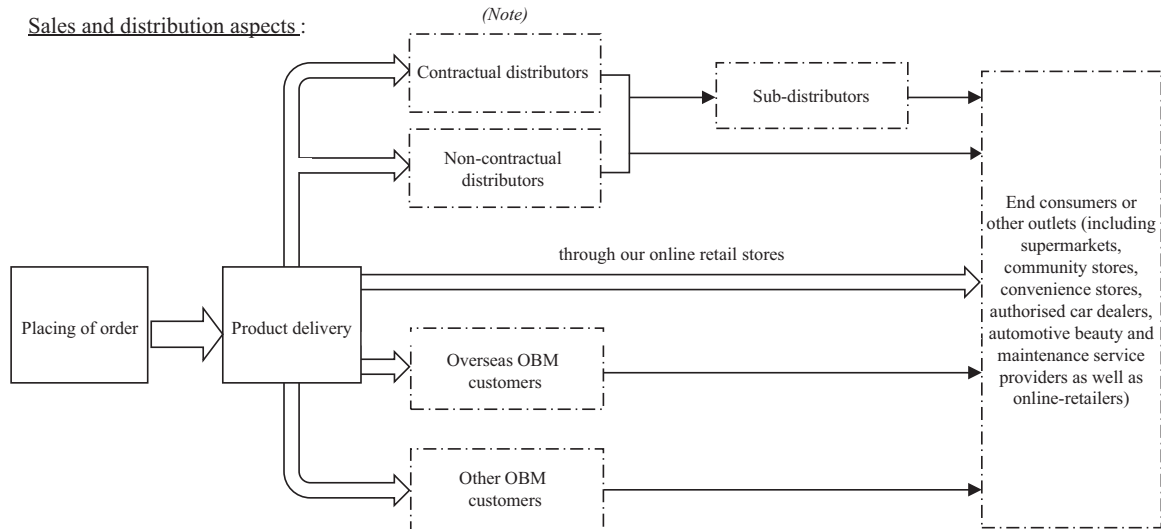
BUSINESS

The following diagram illustrates generally our *OBM business* model:

Production aspects :



Sales and distribution aspects :



Note: For details of each type of our customers, please refer to the section headed “Business — Our customers” in this listing document.

CMS business model

Our CMS products represent contract manufacturing service products, that is, products we manufacture which are marketed and sold under our customers’ brand names. Our CMS products may be manufactured on OEM basis or ODM basis. In the case of OEM, we manufacture our CMS products in accordance with our customers’ designs and specifications. Our customers usually provide the product formulae and specifications. In the case of ODM, we design, develop and manufacture our CMS products. Our customers usually provide us with the packaging materials. For the three years ended 31 December 2018, we derived approximately 42.4%, 40.7% and 47.5% of our revenue from our supply of CMS products.

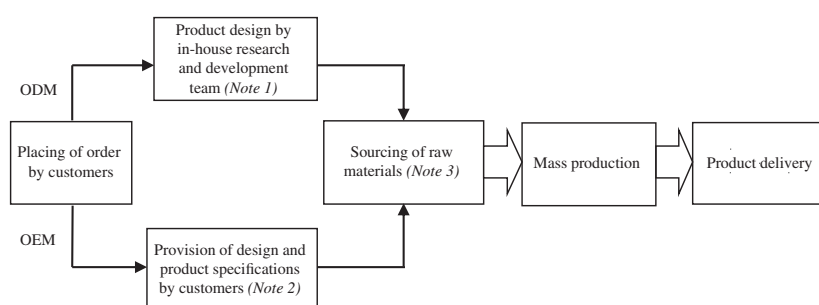
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The following table sets forth our revenue by business model for our CMS products during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
OEM basis	52,062	23.3%	65,212	30.9%	127,219	43.9%
ODM basis	171,192	76.7%	145,733	69.1%	162,730	56.1%
Total revenue for CMS products	<u>223,254</u>	<u>100%</u>	<u>210,945</u>	<u>100%</u>	<u>289,949</u>	<u>100%</u>

Our major CMS customers include: (i) overseas brand owners or their outsourcing agent companies; (ii) export and trading companies, which export our CMS products to overseas countries; and (iii) PRC brand owners or their outsourcing agent companies. We have established approximately 3 to 10 years of business relationship with our top five customers during the Track Record Period which were all CMS customers. For the three years ended 31 December 2018, based on the locations of the registered offices of our customers, sales derived from Japan accounted for approximately 20.2%, 15.1% and 12.6%, and sales derived from the America accounted for approximately 0.7%, 1.0% and 9.5% of our revenue, respectively. For details, please refer to the section headed “Business — Sales and distribution — Geographical coverage” in this listing document.

The following diagram illustrates generally our CMS business model:



Notes:

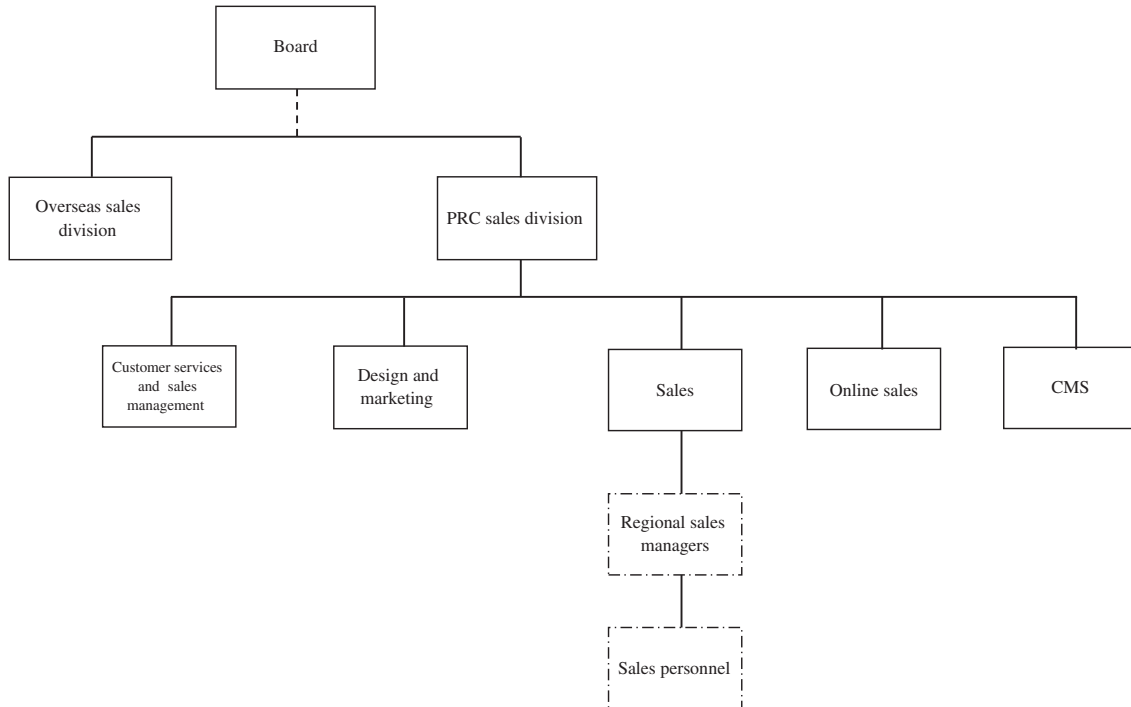
1. In the case of ODM, we usually provide the product formulae and specifications to our customers.
2. In the case of OEM, our customers usually provide the product formulae and specifications.
3. Raw materials, including concentrates and packaging materials, can be either provided by us or our customers, depending on our customers' requirements.

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SALES AND DISTRIBUTION

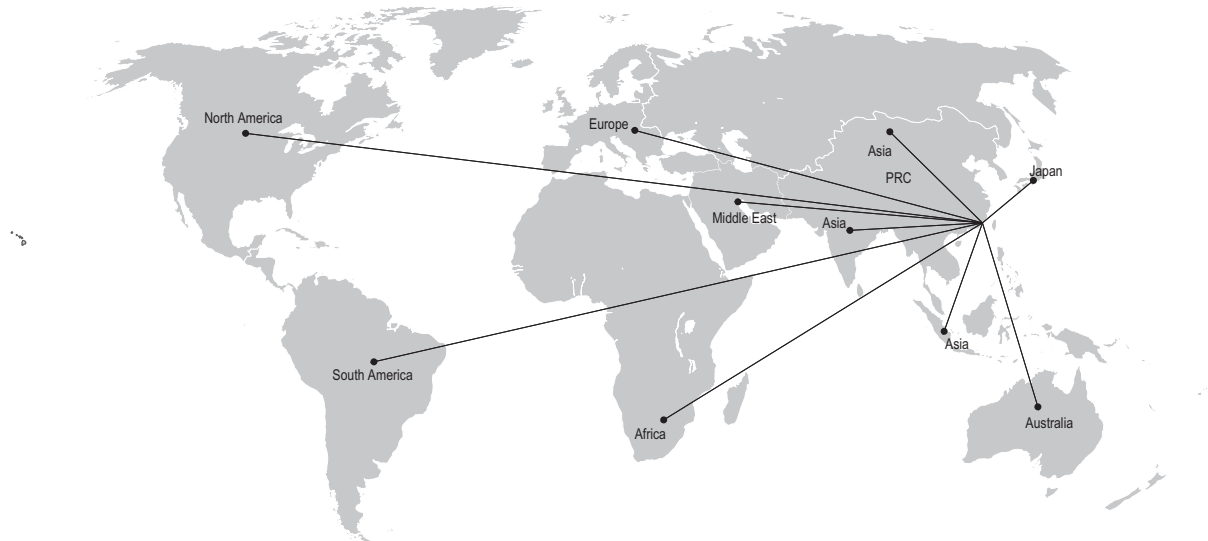
Structure and management of sales and marketing

Our sales and marketing department is principally responsible for monitoring sales, marketing and the activities and performance of our distributors. Our sales and marketing department has two divisions which are responsible for overseas sales and PRC sales, respectively. Our PRC sales division is further divided into the following teams: (i) a customer services and sales management team; (ii) a design and marketing team; (iii) a sales team consisting of regional sales managers and their respective subordinate sales personnel; (iv) an online sales team; and (v) a CMS team. As at the Latest Practicable Date, our sales and marketing department had 72 employees. Below is a chart illustrating the structure of our sales and marketing department:



Geographical coverage

The map below sets forth the geographic regions covered by our sales network (based on ports of destination/location of customers) as at 31 December 2018:



Note: Details of the countries and our sales network covered under the geographic regions are set out in the following page.

International Sales Network



PRC Sales Network

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The table below sets forth the geographical breakdown of our revenue (based on the locations of the registered offices of our customers) for the years indicated:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
PRC (Note 1)	362,799	68.9%	385,874	74.4%	437,322	71.6%
Japan (Note 1)	106,270	20.2%	78,101	15.1%	76,739	12.6%
Asia (Note 2)	37,255	7.1%	34,960	6.7%	23,911	3.9%
Middle East (Note 3)	12,221	2.3%	10,078	1.9%	9,071	1.5%
America (Note 4)	3,527	0.7%	4,959	1.0%	58,312	9.5%
Others (Note 5)	4,783	0.8%	4,409	0.9%	5,509	0.9%
Total	526,855	100.0%	518,381	100.0%	610,864	100.0%

Notes:

1. PRC represents mainland China exclusive of Hong Kong, Taiwan and Macau. It includes sales generated from our two online stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com.

Our PRC sales include sales to certain export and trading companies which assist us in exporting our products to our CMS customers overseas. For the two years ended 31 December 2017 and for the year ended 31 December 2018, we sold our CMS products to two and three major export and trading companies in the PRC, respectively, which then exported our products primarily to Japan. For the three years ended 31 December 2018, among our sales to these major export and trading companies, approximately HK\$21.5 million, HK\$22.2 million and HK\$27.8 million were related to our CMS customers in Japan. Based on the aforesaid and our sales in Japan (based on the locations of the registered offices of our customers), our total sales in Japan amounted to approximately HK\$127.8 million, HK\$100.3 million and HK\$104.5 million, representing approximately 24.3%, 19.3% and 17.1% of our revenue, respectively.

2. Asia includes Hong Kong, Taiwan, India, the Philippines, Vietnam, Bengal, Sri Lanka, Pakistan, Indonesia, Nepal and Singapore. For the three years ended 31 December 2018, among the revenue generated from Asia, approximately HK\$26.2 million, HK\$20.8 million and HK\$5.1 million were derived from sales to European Asia Industrial which represented indent sales to a customer in the United States. Based on the aforesaid and our sales in America (based on the locations of the registered offices of our customers), our total sales in America amounted to approximately HK\$29.7 million, HK\$25.8 million and HK\$63.4 million, representing approximately 5.6%, 5.0% and 10.4% of our revenue, respectively.
3. Middle East includes Israel, Afghanistan, Turkey, Saudi Arabia, United Arab Emirates, Iraq, Lebanon, Yemen, Kuwait and Iran.
4. America includes the United States, Haiti, Chile, Columbia, Peru and Canada. Please refer to note 2 above for more details about the indent sales to our customer in the United States.
5. Others includes South Africa, Russia, Australia, Germany, Bulgaria, New Zealand, Greece and United Kingdom.

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Pricing

We adopt a cost-plus pricing policy. Our sales department preliminarily determines the prices of our products in consultation with our finance department for our Directors' approval. The selling prices of our products are generally determined with reference to general economic conditions, raw material costs, production cost, packaging requirements, research and development costs and the amount of individual purchase orders. In the case of CMS products, pricing is also affected by whether we or our customers are responsible for sourcing of raw materials.

In the case of OBM products, the unit prices of products are set out in our price list and are therefore predetermined and we do not adjust our standard price list often. We may offer discounts to our OBM contractual distributors in the PRC in accordance with our guideline. Other OBM customers are not entitled to participate in our incentive scheme but they may enjoy discounts of our products during our promotional activities. Please refer to the section headed "Business — Our customers — Our OBM customers — (1) Distributors — (i) Contractual distributors — Management of contractual distributors — Incentive scheme" in this listing document for more details. In the case of CMS products, pricing is subject to negotiation with our customers. We generally do not offer any discounts to our CMS customers.

We have the contractual right to pass on the increase in raw material prices to our distributors.

Payment

In the case of PRC sales of our OBM products, our distributors are generally required to pay us before delivery of products pursuant to the terms of the distribution agreements. Our bills are sometimes settled on monthly basis or on credit and the duration of the credit period is determined on the case-by-case basis taking into account the length of business relationship, the size, creditworthiness and payment record of our distributors.

In the case of overseas sales which substantially consist of sales of CMS products, we usually request full payment by way of telegraphic transfer or letter of credit within a certain period of time after the issue of the bill of lading. The duration of the credit period is determined on the case-by-case basis taking into account the creditworthiness and payment record of our customers. During the Track Record Period, the credit period generally ranged from 30 days to 120 days. In some cases, we may request a deposit up to 50% of the total contract sum before delivery of our products or allow our bills to be settled on monthly basis. We have taken out an export insurance policy to mitigate our risk exposure.

Logistics

Generally, for our PRC sales, we engage transportation companies at our own costs for delivering our products to our customers' warehouses or collection points in the cities designated by our customers.

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For our overseas sales, finished products may be delivered at our costs or our customers' costs to the locations designated by our customers depending on our delivery arrangement with each customer (i.e. whether it is free on board (FOB), cost, insurance and freight (CIF), ex-works (EXW) or otherwise). We may be responsible for the relevant customers clearance procedures at the PRC customs.

Seasonality

Our Directors are of the view that our business is not subject to any material seasonality during the Track Record Period.

OUR CUSTOMERS

Our OBM customers

In line with market practice in the PRC automotive beauty and maintenance industry, our OBM customers primarily include (1) distributors which (i) we have signed distribution agreements (i.e. the contractual distributors); and (ii) we have not signed distribution agreements (i.e. the non-contractual distributors); (2) customers who purchase our products through our two online retail stores on Tmall and JD.com; and (3) our overseas OBM customers. As at 31 December 2018, we had over 190 contractual distributors and over 600 non-contractual distributors. The distributors in turn sell our products to sub-distributors, other outlets (including supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers as well as online retailers) and end consumers.

The table below sets forth the breakdown of our sales by sales channel for our OBM products for the years indicated:

	For the year ended 31 December					
	2016		2017		2018	
	<i>% of total revenue of OBM</i>		<i>% of total revenue of OBM</i>		<i>% of total revenue of OBM</i>	
	<i>HK\$'000</i>	<i>products</i>	<i>HK\$'000</i>	<i>products</i>	<i>HK\$'000</i>	<i>products</i>
Contractual distributors (<i>Note 1</i>)	189,032	62.4%	194,275	63.3%	205,091	63.9%
Non-contractual distributors (<i>Note 2</i>)	95,038	31.3%	91,311	29.7%	85,706	26.7%
Online retail stores (<i>Note 3</i>)	1,613	0.5%	1,775	0.6%	8,886	2.8%
Overseas OBM customers	6,102	2.0%	8,595	2.8%	8,280	2.6%
Other OBM customers (<i>Note 4</i>)	11,581	3.8%	11,164	3.6%	12,835	4.0%
Total OBM sales	<u>303,366</u>	<u>100.0%</u>	<u>307,120</u>	<u>100.0%</u>	<u>320,798</u>	<u>100.0%</u>

Notes:

- Our contractual distributors, which entered into distribution agreements with us, sell our OBM products to their sub-distributors, other outlets (including supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers as well as online retailers) and end consumers.

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2. Our non-contractual distributors include our OBM customers which did not enter into distribution agreements with us or few of which failed to execute the distribution agreement properly (i.e. execution of distribution agreements without affixing the company chop). Our major non-contractual distributors primarily include trading companies and wholesalers or retailers of automotive beauty and maintenance products, paint and other chemicals, which may also sell our products to their sub-distributors.
3. Online retail stores represent sales from customers who purchased through our two online stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com.
4. Other OBM customers primarily include trading companies, wholesalers or retailers of automotive beauty and maintenance products, paints, chemicals and hardware and individuals which purchase our OBM products directly from us.

Relationship with our distributors

Our relationship with our distributors is a buyer and seller relationship. Revenue is recognised upon the transfer of control which generally occurs when our OBM products are delivered to our distributors or their designated persons (including sub-distributors that our distributors designate). We issue our invoices to our distributors or to our sub-distributors as per the relevant distributors’ instructions. For the three years ended 31 December 2018, the amount of revenue which was directly settled by our Group’s sub-distributors was approximately HK\$160.7 million, HK\$161.0 million and HK\$148.4 million, representing approximately 56.6%, 56.4% and 50.7% of our revenue attributable to our distributors (both contractual and non-contractual distributors), respectively. In the event that our sub-distributors purchase our products from our distributors, our sub-distributors could either (i) make purchase payments directly to our distributors who will then settle directly with us; or (ii) at the request of our distributors, directly settle to us the amounts of purchases made by our distributors from us, and to the best knowledge of our Directors, settle to our distributors the margins they charge to our sub-distributors. During the Track Record Period, when sub-distributors defaulted in payment, we sought to recover any outstanding amount from our distributors. For the three years ended 31 December 2018, the amounts of default payment from sub-distributors (i.e. amounts receivable from sub-distributors being impaired) were approximately HK\$0.4 million, HK\$0.2 million and HK\$83,000, respectively, of which approximately HK\$0.4 million, HK\$0.2 million and HK\$20,000 were recovered from the defaulted sub-distributors or the relevant distributors as at the Latest Practicable Date. As such, our Directors consider that the default payment by sub-distributors during the Track Record Period has immaterial credit risk exposure from our Group’s overall perspective. As confirmed by our PRC Legal Advisers, our relationship with our distributors is a buyer and seller relationship rather than a principal and agent relationship, and our trading arrangement with our distributors and their sub-distributors does not contravene any applicable PRC laws and regulations in any material respects.

We believe that direct settlement by sub-distributors is beneficial to both our Group and our contractual and non-contractual distributors. Firstly, this helps reduce our Group’s trade receivable turnover days. Instead of receiving payments from sub-distributors via distributors, we could speed up the settlement process by receiving payments directly from sub-distributors. Moreover, it achieves administrative efficiency for our distributors, as their obligation to remit to us payments from the sub-distributors has been lifted under the direct settlement arrangement. This can also facilitate our delivery arrangement as the products will generally be delivered after the full payment has been made. From the sub-distributors’ perspective, delivery of products should be faster upon the direct

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settlement of sale proceeds and source of products can be assured. As advised by CIC, such direct settlement arrangement is in line with the practices in the automotive beauty and maintenance aerosol product industry in the PRC. Under the distribution agreements, our contractual distributors are entitled to a price discount to the amount of purchase from our Group if they are able to achieve or exceed the sales targets set by our Group. In general, we sell our products to our contractual distributors based on our standard ex-factory prices. Under the refined standardised distribution agreements, we have the right to set recommended retail prices for our products, and our contractual distributors undertake not to resell our products at prices below the ex-factory prices. In addition, according to our pricing policy, distributors are allowed to charge their customers a margin based on the ex-factory prices. Such policy aims to help our Group monitor the retail prices of our products. To the best knowledge of our Directors, our distributors charge their sub-distributors a margin and obtain economic benefits from such arrangement.

We believe that as a distributorship business model is suitable for us, there is no incentive for us to bypass our distributors and form direct business relationships with the sub-distributors. We could leverage on the clientele and sales and marketing experience of our distributors and ensure efficient distribution of products in different parts of the PRC through a distributorship business model. This saves us the resources to build business relationships with a vast number of individual customers in different parts of the PRC.

Distributor selection criteria

In selecting our distributors, we generally take into consideration the following factors:

- (i) geographical coverage of distributors;
- (ii) size of distributors (such as annual sales and number of employees);
- (iii) whether distributors hold a valid business licence and the financial resources of distributors;
- (iv) reputation and experience of the distributors; and
- (v) whether distributors are also distributing competing products.

(1) Distributors

According to the CIC Report, manufacturers of aerosol products rely on distributors to help expand their sales channels and to maintain a continuous demand for their aerosol products.

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(i) *Contractual distributors*

Contractual distributors of OBM products for a period are the distributors with which we have entered into distribution agreements for that period. We only enter into distribution agreements with distributors which in our opinion, have a relatively strong track record and the ability to expand our market shares. We set both annual and monthly sales targets for our contractual distributors. The size of sales targets varies and is subject to a number of factors including the designated market to which a distributor is assigned (for example, the market size and whether it is a new market), the track record of a distributor and the type of products being sold by a distributor (for example, the targeted sales of new products may be less). In return, contractual distributors are eligible to participate in our incentive scheme pursuant to which they may purchase our products at discounted prices. For details, please refer to the section headed “Business — Our customers — Our OBM customers — (1) Distributors — (i) Contractual distributors — Management of contractual distributors — Incentive scheme” in this listing document. If a distributor fails to meet our sales targets and we believe that its performance is unlikely to improve, we may terminate its distribution agreement. As at 31 December 2018, we had a nationwide network of over 190 contractual distributors in the PRC. We have well-established relationships with our contractual distributors. Our top five contractual distributors during the Track Record Period have over three years of relationship with us. We believe that we are able to leverage on the strength of the distribution channels of our distributors to efficiently distribute our products and reach consumers in different regions of the PRC.

The following table sets forth the number of our contractual distributors and the relevant movements during the Track Record Period:

	As at 31 December		
	2016	2017	2018
At the end of the previous year (Note 1)	241	231	210
Increase during the year (Note 2)	51	42	38
Decrease during the year (Note 3)	(61)	(63)	(56)
At the end of the year (Note 1)	231	210	192

Notes:

1. The number of our contractual distributors for a year is based on the number of distribution agreements we entered into with our distributors during that year.
2. Comprised (i) 15, 10 and 7 new contractual distributors, with which we entered into distribution agreements; and (ii) 36, 32 and 31 distributors which were our non-contractual distributors and other OBM customers in the immediately preceding year from which sales were generated during the period in question, for the three years ended 31 December 2018, respectively. As advised by our Directors, some of our non-contractual distributors (who from our view were eligible to participate in our incentive scheme) entered into distribution agreements with us as they might want to participate in our incentive scheme which is only open to our contractual distributors,

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given that their sales performance had been strong and they were capable of expanding our market share. For details, please refer to the section headed “Business — Our customers — Our OBM customers — (1) Distributors — (i) Contractual distributors — Management of contractual distributors — Incentive scheme” in this listing document.

3. Represented contractual distributors, of which the distribution agreements were not renewed in a particular year and comprised (i) 11, 10 and 5 distributors, in which case no sales were generated from them during the year and the subsequent year; and (ii) 50, 53 and 51 distributors, in which case we continue to conduct sales with them during the year and the subsequent year but the distribution agreements with the relevant distributors had already expired and they became our non-contractual distributors or other types of OBM customers, for the three years ended 31 December 2018, respectively. To the best of our Directors’ knowledge, among the distributors whose distribution agreements were not renewed, (i) 58, 56 and 53 distributors failed to achieve our sales targets; and (ii) 3, 7 and 3 distributors were unwilling to renew the distribution agreements for reasons such as their unwillingness to be bound by our sales targets, for the three years ended 31 December 2018, respectively.

As shown above, the number of our contractual distributors exhibited a decreasing trend during the Track Record Period, from 231 as at 31 December 2016 to 192 as at 31 December 2018. Our Directors attribute such decrease primarily to our effort to eliminate our contractual distributors which failed to meet our annual sales targets as set out in our distribution agreements. At the same time, we have increased the sales targets of certain major contractual distributors after taking into their account their historical sales performance and the growth potential of certain markets in the PRC.

Key terms of distribution agreements

We generally enter into distribution agreements with our distributors for a one-year term. The key terms of our refined standardised distribution agreement include:

1. Duration: One year.
2. Relationship: Buyer and seller.
3. Sales target and incentive scheme: Sales target is specified. Distributors are incentivised to achieve or exceed sales targets. The incentive scheme is set out in our guideline. There is no minimum purchase amount.
4. Non-exclusivity: Distributors are granted the non-exclusive distributorship in their designated area.
5. Designated distribution area: Distributors are not allowed to sell our products outside of their designated distribution areas. Any material deviation will give us the right to unilaterally terminate the distribution agreement. We also have the right to limit the number of sub-distributors in the designated distribution area.
6. Pricing policy: We have the right to adjust the prices at which we sell products to our distributors based on market conditions. We have the right to set a recommended retail prices for our products.

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7. Sub-distribution: Distributors have the right to appoint sub-distributors. They undertake to procure that their sub-distributors comply with certain terms of the distribution agreement including prompt settlement of our bills whenever we issue our invoices directly to the sub-distributors, our pricing policy, restriction against unfair competition practices and the anti-dumping provision. We are also entitled to recover any outstanding amounts from our distributors should the sub-distributors default in payment.
8. Resale price management: Distributors are required to resell our products at prices higher than the ex-factory prices.
9. Transportation costs: We are generally responsible for the delivery costs to a distributor's designated delivery location. If the quantity of a purchase is below our sales target, the distributor will be responsible for the delivery costs.
10. Access to information: Distributors are required to provide us with monthly sales and inventory data and other information including the names of customers and re-sell prices from time to time. We also have the right to inspect and examine more closely the sale of products by distributors.
11. Credit terms: Payment before delivery in general.
12. Return or exchange of products: Distributors are not allowed to return or exchange products except for defective products. We do not accept return of non-defective products.
13. Non-competition undertaking: Distributors undertake not to engage in unfair competition practices including cross-regional sale, predatory pricing and trade dumping. Distributors are required to set their sales strategies in consultation with us.
14. Confidentiality: Distributors undertake not to disclose any of our trade secrets or business information to any third party.
15. Protection of intellectual property right: Distributors undertake not to use, retain or disclose our technical information without our consent.
16. Business activities between employees and distributors: We are not responsible for any business activities between our employees and distributors and are not liable for any loss incurred in this connection.
17. Termination: We are entitled to unilaterally terminate a distribution agreement prior to the expiry of its term if: (i) a distributor fails to meet the monthly sales target for three consecutive months; (ii) a distributor maliciously frustrates the sale of our products for the benefit of our competitors with whom the distributor also has a business relationship; (iii) a distributor deviates any key terms of the distribution agreement; or (iv) the business licence held by the distributor is no longer valid.

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Management of contractual distributors

Contractual distributors

We generally enter into a distribution agreement with our contractual distributors in the PRC. We have standardised the terms of our distribution agreements and have devised internal guidelines in relation to, among other things, sales management, marketing and customer assessment. We believe that this helps us manage our contractual distributors efficiently in a consistent and systematic manner.

We have refined our guidelines and the terms of our distribution agreements to reinforce our control over contractual distributors, the details of which are set out below:

Resale price determination

Our contractual distributors purchase OBM products from us based on our standard ex-factory prices. Under our standardised distribution agreements, we have the right to adjust our ex-factory prices based on market conditions and our operational needs and the right to set recommended retail prices of our products. We have adopted a policy on recommended ex-factory prices and retail prices for our OBM products.

Also, pursuant to our standardised distribution agreements, our contractual distributors undertake not to engage in unfair competition practices including cross-regional sale, predatory pricing and trade dumping. They further undertake not to resell our products at prices below our ex-factory prices.

We seek to monitor the compliance of our contractual distributors of our distribution agreements through on-site inspections by our regional sales personnel.

Incentive scheme

In our distribution agreements, we set both annual and monthly sales targets for our contractual distributors who are incentivised to achieve or exceed sales targets. Depending on the type of products sold by the contractual distributors, if the total quantity of products purchased by a contractual distributor for a year exceeds a certain threshold, the contractual distributor will be entitled to a price discount within the range of approximately 1% to 5% to the amount of purchase from our Group in accordance with our guideline. A higher discount rate applies to automotive beauty and maintenance products in general and to the more lucrative products within each major product category. When contractual distributors are engaged in marketing and promotional activities, they may apply for additional discounts and we will approve their applications on a case-by-case basis. We may also offer additional discounts if we want to promote a particular product. Sale discounts are netted off from our revenue in the relevant accounts.

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Delivery of products and payment

Our contractual distributors submit a purchase order to us from time to time with specifications as to the type and quantity of OBM products. We then arrange for delivery of products to our contractual distributors or their designated persons according to the delivery dates agreed between the parties.

Our contractual distributors are generally required to pay us before delivery of products pursuant to the terms of the distribution agreements. In practice, we sometimes issue our invoices directly to the sub-distributors in the case where our contractual distributors on-sell our OBM products to them. Also, our bills are sometimes settled on monthly basis or on credit and the duration of the credit period is determined on the case-by-case basis taking into account the length of business relationship, the size, creditworthiness and payment record of the contractual distributors. Please refer to the section headed “Business — Sales and distribution — Payment” in this listing document for more details.

Access to information

We have a number of regional sales teams which oversee the activities and performance of our contractual distributors within their respective designated regions. We seek to monitor the compliance of our contractual distributors of our distribution agreements through on-site inspections by our regional sales personnel.

We have certain measures in our refined standardised distribution agreements to strengthen our control over our contractual distributors. For example, pursuant to the refined standardised distribution agreements, (i) contractual distributors are required to set their sales strategies in consultation with us; (ii) we are entitled to require contractual distributors to provide us with monthly sales and inventory data and other information including the names of customers and re-sell prices from time to time; and (iii) we also have the right to inspect and examine more closely the sale of OBM products by contractual distributors. We can unilaterally terminate such distribution agreements if our contractual distributors materially breach the terms of the distribution agreements.

Product returns

Save for defects in quality, we do not accept product returns from our contractual distributors. We are not responsible for any unsold stock held by our contractual distributors. For more details about product returns, please refer to the section headed “Business — Quality assurance — Product returns, consumer feedback and product recall” in this listing document.

Marketing and promotion

We have the right to require our contractual distributors to participate in our marketing and promotion campaigns under our refined standardised distribution agreements.

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(ii) Non-contractual distributors

Non-contractual distributors of our OBM products for a period are distributors which have not entered into distribution agreements with us and sales attributable to these distributors are conducted on a purchase order basis during that period. We manufacture our OBM products on a made to stock basis, that is, we manufacture before our OBM customers place orders with us. We sell our OBM products primarily through our distributors, and we only select persons which we believe have the channels to distribute our stock effectively as distributors. Unlike contractual distributors, non-contractual distributors are not contractually bound by our distribution agreements. Nonetheless, they are important for us in distributing and promoting our products and we have taken into account potential sales attributable to these distributors in our semi-annual and annual sales plans. The sales of each of our non-contractual distributors are of smaller size in general as compared to those of our contractual distributors, and they are more flexible in procurement and sales of our products, as these customers are not required to meet any sales targets and their sales performance is not being assessed by us periodically. As such, unlike our contractual distributors, they are not entitled to participate in our incentive scheme save for discounts which apply to all OBM customers during our promotion seasons. If a non-contractual distributor fails to perform as expected, we may terminate its non-contractual distributorship and look for more eligible distributors to ensure an effective distribution of our products.

We typically receive orders from our non-contractual distributors through orders placed from them to our sales personnel. We typically adopt our general credit policy to our non-contractual distributors which requires them to make payments before delivery of our products. For some non-contractual distributors with longer term of relationship with us and good payment history, our bills are sometimes settled on credit and the duration of the credit period is determined on a case-by-case basis. We are generally responsible for the costs of delivery of our products to non-contractual distributors' designated delivery locations.

Our non-contractual distributors are not allowed to return or exchange products except for defective products. We do not accept return of non-defective products.

The following table sets forth the number of our non-contractual distributors and the relevant movements during the Track Record Period:

	As at 31 December		
	2016	2017	2018
At the end of the previous year (Note 1)	663	681	688
Increase during the year (Note 2)	188	180	147
Decrease during the year (Note 3)	<u>(170)</u>	<u>(173)</u>	<u>(177)</u>
At the end of the year (Note 1)	<u>681</u>	<u>688</u>	<u>658</u>

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Notes:

1. The number of non-contractual distributors for a year refers to the number of distributors from which sales were generated for that year and without entering into a distribution agreement with us, and exclusive of the contractual distributors for the same year.
2. New non-contractual distributors for a year primarily refers to (i) non-contractual distributors from which sales were generated for that year but no sales were generated from the same distributors for the immediately preceding year; and (ii) certain contractual distributors for the immediately preceding year which did not renew their distribution agreements but from which sales were generated for that year. For more details of the conversion to non-contractual distributorship, please refer to note 3 to the above table which sets forth the number of contractual distributors and the relevant movements during the Track Record Period.
3. Mainly comprised non-contractual distributors which ceased to place purchase orders with us in a particular year or they entered into distribution agreements with us in a particular year and thus became our contractual distributors for that year. For more details of the conversion to contractual distributorship, please refer to note 2 to the above table which sets forth the number of contractual distributors and the relevant movements during the Track Record Period.

For the three years ended 31 December 2018, our sales to the non-contractual distributors were approximately HK\$95.0 million, HK\$91.3 million and HK\$85.7 million, accounted for 31.3%, 29.7% and 26.7 % of our revenue derived from the sale of our OBM products. The number of non-contractual distributors was relatively stable during the Track Record Period. Termination of non-contractual distributorship was mainly due to our effort to eliminate our distributors which failed to distribute our products effectively as expected although they are not contractually bound by our distribution agreements.

Management of non-contractual distributors

We do not enter into distribution agreements with our non-contractual distributors as (i) sales attributable to a non-contractual distributor are generally less than sales attributable to a contractual distributor even though the aggregate sales attributable to non-contractual distributors are significant; and (ii) these distributors may not wish to commit to the sales targets stipulated by our distribution agreements. Although we do not enter into any agreements with our non-contractual distributors, our sales personnel monitor the performance of these distributors through site visits to keep track on the status of their business licences, the sales of our products and our distributors' feedback on the quality of our products and our pricing policy. Under our internal policy, if we find any non-contractual distributor not following our policies, in particular, the jurisdictional selling restrictions imposed on them, we may consider terminating the non-contractual distributorship. Our sales to non-contractual distributors during the Track Record Period were in general fully paid before delivery. Accordingly, we do not have significant credit risk in dealing with our non-contractual distributors whilst ensuring a genuine market demand of our products.

We do not accept return of goods from our non-contractual distributors other than for quality reasons. During the Track Record Period, there were no material sales returns from our non-contractual distributors.

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Sub-distributors and retailers

We do not have contractual relationships with the sub-distributors or retailers that transact with our contractual and non-contractual distributors.

We rely on our contractual distributors to procure that their sub-distributors uphold the terms contained in our distribution agreements, including our pricing policy, restriction against unfair competition practice and the anti-dumping provision. Our contractual distributors are responsible for the selection and appointment of sub-distributors and we are entitled to access the information of their sub-distributors including their names, size, track record and whether the sub-distributors are engaged in the sale of competing products under our refined standardised distribution agreements.

Our regional sales teams from time to time conduct on-site inspections or make inquiries of our contractual and non-contractual distributors and points of sale, communicating with them and collecting feedback and information from them to help them understand the sales and distribution of our OBM products.

As mentioned in the section headed “Business — Our Customers — Our OBM customers - Relationship with our distributors” in this listing document, we often issue our invoices to our sub-distributors directly, and thus we know the identities of many of our sub-distributors. We believe that this helps us trace the movement of our products and attain control over our distributorship network.

Independence of distributors

To the best knowledge of our Directors, during the Track Record Period, there were (i) a number of distributors (the “**Ex-employee Distributors**”) whose shareholders, legal representatives or key personnel are or are related to our ex-employees; and (ii) a number of our employees who were identified to have served as shareholders, legal representatives or key personnel of our distributors (the “**Employee Distributors**”) at the same time.

For the three years ended 31 December 2018, total revenue derived from the Ex-employee Distributors was approximately HK\$16.6 million, HK\$16.2 million and HK\$16.5 million, representing approximately 3.2%, 3.1% and 2.7% of our total revenue, respectively.

For the three years ended 31 December 2018, total revenue derived from the Employee Distributors was approximately HK\$1.2 million, HK\$2.2 million and HK\$3.6 million, representing approximately 0.2%, 0.4% and 0.6% of our total revenue, respectively.

Our Directors confirm that (i) our sales to the Ex-employee Distributors and the Employee Distributors were conducted on an arm’s length basis and on normal commercial terms which were fair and reasonable; and (ii) our Group has ceased to supply our products to the Employee Distributors.

According to our staff handbook, employees are not allowed to engage in any business collaboration with our Group either in his/her personal capacity or through entities controlled by him/her. Our Directors also confirmed that we have not implemented any policy to encourage our employees to serve as distributors during their employment with our Group. In view of the above

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finding, our Group has adopted a set of measures recommended by the internal control consultant to continuously improve our Group's corporate governance in such connection in the future. For details, please refer to the section headed "Business — Internal control and risk management — Operational risks — Independence of our distributors" in this listing document. While we have not terminated any employment relationship with the Employee Distributors, given that we have ceased to supply our products to them, and have implemented the enhanced internal control measures, our Directors are of the view that we are capable of ensuring the independence of our distributors.

To the best knowledge of our Directors, save as disclosed above, none of our Directors or their respective close associates or any of our Shareholders holding more than 5% of the issued share capital of our Company had any interest in any of our distributors during the Track Record Period.

Measures to avoid cannibalisation

To minimise the risk of cannibalisation, we take the following measures: (i) in accordance with the terms of our distribution agreements, each distributor is assigned a designated area in which they are permitted to sell our OBM products; (ii) when selecting our distributors, we take into consideration their respective distribution channels in order to avoid potential competition among the distributors within a region; (iii) whilst sub-distribution is permissible, we have the right under our standardised distribution agreements to limit the number of sub-distributors that a distributor can appoint; (iv) we have the right to set the recommended retail prices; (v) our designated regional sales teams conduct on-site inspections and communications with our distributors and points of sale within their respective regions from time to time; (vi) where there is any material breach of our distribution agreement, we are entitled to unilaterally terminate the distribution agreement; and (vii) for our non-contractual distributors, we are entitled to unilaterally terminate the sales relationship if we find any of them not following our policies.

We believe that these measures, together with our "no return or exchange unless defective" policies for our distributors and the general requirement for distributors to pay us on a payment before delivery basis, helps our sales reflect genuine market demand of our products and avoid the risk of inventory accumulation by our distributors. During the Track Record Period, we were not aware of any material accumulation of our products by our distributors.

(2) Online retailers

We have an online retail store "保賜利旗艦店" at Tmall and an online retail store "保賜利京東自營旗艦店" at JD.com. The prices of our OBM products sold at these two stores are determined with reference to our internal indicative price ranges. Revenue attributable to our online stores only contributed approximately 0.3% of our total revenue for each of the two years ended 31 December 2017 and approximately 1.5% of our total revenue for the year ended 31 December 2018. As online and social media platforms continue to grow popular, we believe that further penetration into online platforms will allow us to increase our sales, enhance our brand recognition and achieve a broader consumer base.

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(3) *Our overseas OBM customers*

In 2013, we started to sell our OBM products under our BOTNY (保賜利) brand to overseas markets. For the three years ended 31 December 2018, overseas sales of our OBM products amounted to approximately HK\$6.1 million, HK\$8.6 million and HK\$8.3 million, representing approximately 1.2%, 1.7% and 1.4% of our total revenue, respectively. Our overseas OBM customers include customers (with reference to the locations of the registered offices of OBM customers) from India, the Philippines, Singapore, United Arab Emirates, Iraq, Pakistan, Lebanon, Yemen, Kuwait, Iran, Haiti, Canada, Chile, Russia, Australia, United Kingdom, Colombia, South Africa and Israel. The year-to-year increase in overseas sales of our OBM products was approximately 258.3% and 40.9% for the two years ended 31 December 2017, respectively. Overseas sales to our OBM products decreased by approximately 3.7% for the year ended 31 December 2018 as compared to 2017. Our OBM customers usually place their orders with our sales team through purchase orders.

(4) *Other OBM customers*

During the Track Record Period, we also sold a small amount of OBM products directly to a large number of customers. Our major direct sales customers include trading companies, wholesalers or retailers of automotive beauty and maintenance products, paint, chemicals and hardware and individuals which directly purchased our OBM products. For the three years ended 31 December 2018, revenue attributable to our direct sales customers was approximately 2.2%, 2.1% and 2.1% of our revenue, respectively. Sales attributable to each direct sales customer was relatively small generally.

We do not enter into any formal distribution agreements with our direct sales customers which place purchase orders with us from time to time. The unit prices of OBM products sold to both distributors and direct sales customers in the PRC are based on our price list and are therefore predetermined. Our direct sales customers are not entitled to participate in our incentive scheme save for discounts which apply to all our OBM customers during our promotion seasons.

Our CMS customers

Our major CMS customers include (i) overseas brand owners or their outsourcing agent companies; (ii) export and trading companies, which export our CMS products to overseas countries; and (iii) PRC brand owners or their outsourcing agent companies. We have established approximately 3 to 10 years of business relationship with our top five customers during the Track Record Period which were all CMS customers. During the Track Record Period, a majority of our CMS products were ultimately distributed overseas. For the three years ended 31 December 2018, based on the locations of the registered offices of our customers, sales derived from Japan accounted for approximately 20.2%, 15.1% and 12.6%, and sales derived from the America accounted for approximately 0.7%, 1.0% and 9.5%, of our revenue, respectively. For details, please refer to the section headed “Business — Sales and distribution — Geographical coverage” in this listing document.

We do not enter into any long term agreement with our CMS customers which place purchase orders or enter into short-term sales contracts with us on from time to time. We usually request full payment by way of telegraphic transfer or letter of credit within a certain period of time after the issue of the bill of lading. The duration of the credit period is determined on the case-by-case basis taking

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into account the creditworthiness and payment record of our customers. During the Track Record Period, the credit period generally ranged up to 120 days. In some cases, we may request a deposit up to 50% of the total contract sum before delivery of our products or allow our bills to be settled on monthly basis.

Our top five customers

For the three years ended 31 December 2018, our sales to our top five customers amounted to approximately HK\$106.8 million, HK\$83.1 million and HK\$129.0 million, representing approximately 20.4%, 16.0% and 21.2% of our total revenue, respectively.

The table below set forth our top five customers during the Track Record Period:

For the year ended 31 December 2016

Rank	Name of customer	Type of customers (CMS/OBM)	Location of registered office	Principal business activities carried on by the customer	Type of main products sold	Approximate years of business relationship	Revenue recognised (HK\$'000)	Percentage of total revenue
1	Customer D (Note 1)	CMS	U.S.	Principally engaged in wholesale packaging of products	Personal care products which mainly include air-fresheners	5	26,214	5.0%
2	Customer A	CMS	Japan	Principally engaged in manufacturing of aerosols and specialty lubricants for automobile, food machinery, and medical equipment	Automotive beauty and maintenance products which mainly include brake and parts cleaner and lubricants	10	22,942	4.4%
3	Customer F	CMS	Japan	Principally engaged in import and online sale of maintenance, repair and operations (MRO) products in Japan and internationally	Automotive beauty and maintenance products which mainly include brake cleaner, parts cleaner and de-rust lubricating spray	3	21,678	4.1%
4	Customer C (Note 2)	CMS	Japan	Principally engaged in manufacturing, import, and sales of various paints and painting supplies, and household supplies in Japan	Automotive beauty and maintenance products which mainly include acrylic spray paint and de-rust spray	9	20,358	3.9%
5	Customer B (Note 3)	CMS	Japan	Principally engaged in wholesale, commission-based agent (excluding auction), import, export, and other related supporting business of chemical products, daily chemical products, cosmetics, glass products, plastic products, base metal products and paper products	Automotive beauty and maintenance products which mainly include brake cleaner and waterproof spray	8	15,584	3.0%
Total:							<u>106,776</u>	<u>20.4%</u>

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Notes:

1. It represented sales to European Asia Industrial, being indent sales to Customer D.
2. Our sales to Customer C included (i) our direct sales to Customer C of approximately HK\$1.5 million; and (ii) our sales to an export and trading company which in turn assisted us in exporting our CMS products to Customer C, in the amount of approximately HK\$18.8 million.
3. Our sales to Customer B included (i) our sales to Customer B of approximately HK\$15.6 million; and (ii) our sales to a PRC entity of approximately HK\$32,000 which, to the best knowledge of our Director, such entity is a related company of Customer B.

For the year ended 31 December 2017

Rank	Name of customer	Type of customers (CMS/OBM)	Location of registered office	Principal business activities carried on by the customer	Type of main products sold	Approximate years of business relationship	Revenue recognised (HK\$'000)	Percentage of total revenue
1	Customer D (Note 1)	CMS	U.S.	Principally engaged in wholesale packaging of products	Personal care products which mainly include air-fresheners	5	20,837	4.0%
2	Customer C (Note 2)	CMS	Japan	Principally engaged in manufacturing, import, and sales of various paints and painting supplies, and household supplies in Japan	Automotive beauty and maintenance products which mainly include acrylic spray paint and de-rust spray	9	19,403	3.7%
3	Customer A	CMS	Japan	Principally engaged in manufacturing of aerosols and specialty lubricants for automobile, food machinery, and medical equipment	Automotive beauty and maintenance products which mainly include brake and parts cleaner and lubricants	10	14,556	2.8%
4	Customer G	CMS	PRC	Principally engaged in sale of personal care products	Personal care products which mainly include hair spray	4	14,435	2.8%
5	Customer B	CMS	Japan	Principally engaged in wholesale, commission-based agent (excluding auction), import, export, and other related supporting business of chemical products, daily chemical products, cosmetics, glass products, plastic products, base metal products and paper products	Automotive beauty and maintenance products which mainly include brake cleaner and waterproof spray	8	13,860	2.7%
Total:							<u>83,091</u>	<u>16.0%</u>

Notes:

1. It represented sales to European Asia Industrial, being indent sales to Customer D.
2. Our sales to Customer C represented our sales to an export and trading company which in turn assisted us in exporting our CMS products to Customer C.

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For the year ended 31 December 2018

<i>Rank</i>	<i>Name of customer</i>	<i>Type of customers (CMS/OBM)</i>	<i>Location of registered office</i>	<i>Principal business activities carried on by the customer</i>	<i>Type of main products sold</i>	<i>Approximate years of business relationship</i>	<i>Revenue recognised (HK\$'000)</i>	<i>Percentage of total revenue</i>
1	Customer D (Note 1)	CMS	U.S.	Principally engaged in wholesale packaging of products	Personal care products which mainly include air-fresheners	5	59,213	9.7%
2	Customer C (Note 2)	CMS	Japan	Principally engaged in manufacturing, import, and sales of various paints and painting supplies, and household supplies in Japan	Automotive beauty and maintenance products which mainly include acrylic spray paint and de-rust spray	9	22,948	3.8%
3	Customer G	CMS	PRC	Principally engaged in sale of personal care products	Personal care products which mainly include hair spray	4	18,035	3.0%
4	Customer A	CMS	Japan	Principally engaged in manufacturing of aerosols and specialty lubricants for automobile, food machinery, and medical equipment	Automotive beauty and maintenance products which mainly include brake and parts cleaner and lubricants	10	14,711	2.4%
5	Customer E	CMS	Japan	Principally engaged in manufacturing and sale of various car-care products, machines and equipment maintenance chemicals	Automotive beauty and maintenance products which mainly include brake cleaner and wheel cleaner	7	14,110	2.3%
Total:							<u>129,017</u>	<u>21.2%</u>

Notes:

- Our sales to Customer D included (i) our direct sales to Customer D of approximately HK\$54.1 million; and (ii) sales to European Asia Industrial of approximately HK\$5.1 million which represented indent sales to Customer D.
- Our sales to Customer C included (i) our direct sales to Customer C of approximately HK\$0.3 million; and (ii) our sales to an export and trading company which in turn assisted us in exporting our CMS products to Customer C, in the amount of approximately HK\$22.6 million.

Our Directors confirm that, one of our top five customers located in the United States (i.e. Customer D), which primarily purchased our personal care products during the Track Record Period, did not place any sales order with us during the period from January 2019 to March 2019 (the “**Order Suspension**”). Our secured orders received from the U.S. Customer, which were or are expected to be recognised as revenue, after March 2019 and up to the Latest Practicable Date amounted to approximately HK\$1.0 million, of which approximately HK\$0.4 million had been recognised as revenue as at the Latest Practicable Date. For the three years ended 31 December 2018, our revenue generated from the U.S. Customer amounted to approximately HK\$26.2 million, HK\$20.8 million and HK\$59.2 million, accounting for approximately 5.0%, 4.0% and 9.7% of our total revenue, respectively. As at the Latest Practicable Date, it was still uncertain whether the U.S. Customer would continue to place orders with us, and the parties intended to negotiate this further in due course.

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In order to mitigate our risks which may arise from the Order Suspension or any future order suspension, we strive to grow our CMS sales, in particular our sales of personal care products, in other regions through securing new orders from our existing customers or developing new customers. For the three years ended 31 December 2018, revenue generated from our overall CMS business (excluding revenue generated from Customer D) amounted to approximately HK\$197.0 million, HK\$190.1 million and HK\$230.7 million, respectively, representing a CAGR of approximately 8.2% over the period. In particular, during the same periods, our sales of personal care products (excluding revenue generated from Customer D) amounted to approximately HK\$18.3 million, HK\$38.5 million and HK\$66.7 million, respectively, representing a CAGR of approximately 90.0% over the period. We will continue to develop our new CMS customers primarily through trade fairs and exhibitions. Our Directors therefore consider that any shortfall in our revenue arising from the Order Suspension or any future order suspension would be offset by the growth in our CMS business, in particular our sales of personal care products. Since 1 January 2019 and up to the Latest Practicable Date, our secured orders received from our CMS customers, which were or are expected to be recognised as revenue, amounted to approximately HK\$118.5 million.

Independence of our top five customers

For the three years ended 31 December 2018, we sold our CMS products to European Asia Industrial, a company wholly-owned by Mr. Lin, in the amounts of approximately HK\$26.2 million, HK\$20.8 million and HK\$5.1 million, respectively. European Asia Industrial, in turn sold the products to one of our top five customers (i.e. Customer D) located in the United States which has approximately 5 years of relationship with us. Such arrangement effectively represented indent sales to Customer D for the purpose of facilitating the receipt of payments from Customer D as it is more convenient to settle, use and invest funds denominated in USD in Hong Kong. For more details about this arrangement, please refer to the section headed “Business — Legal compliance — Transfer pricing” in this listing document. Our Group has ceased to sell CMS products to European Asia Industrial. Sales of CMS products to European Asia Industrial are not expected after Listing.

Our Directors confirmed that save as disclosed above, all of our top five customers during the Track Record Period are Independent Third Parties, and none of our Directors, their respective close associates or any Shareholders who, to the best knowledge and information of our Directors, owned more than 5% of the issued share capital of our Company, had any interest in any of our top five customers during the Track Record Period.

MARKET COMPETITION

According to the CIC Report, the manufacturing of aerosol products used in the automotive beauty and maintenance market is relatively concentrated, with the leading five companies accounting for approximately 35.7% of the total market in terms of sales revenue in 2018. Notwithstanding, a high degree of product homogeneity has exacerbated the market competition in terms of price competition.

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According to the CIC Report, potential new entrants face several market barriers for entering into the PRC automotive beauty and maintenance aerosol product manufacturing market, namely:

1. licences for manufacturing of aerosol products;
2. large initial capital investment;
3. established cooperation with raw material providers and distributors; and
4. management of manpower and associated costs.

Our Directors believe that given our strengths as stated in the section headed “Business — Competitive strengths” in this listing document, we are able to maintain our position notwithstanding the increasingly fierce competition we face in the PRC automotive beauty and maintenance market.

AWARDS

We have been honoured with awards from various associations and governmental authorities. The table below sets out our major awards during the Track Record Period and up to the Latest Practicable Date:

Year of Grant	Awards	Awarding Body
2019	Brilliant Enterprise Outstanding Contributions Award* (光彩事業突出貢獻獎) (granted to Guangzhou Euro Asia)	Federation of Industrial and Commercial Enterprises (Guangzhou Conghua branch)* (廣州市從化區工商業聯合會(總商會))
2019	40th Anniversary of Reform and Opening-up — Model Enterprise* (改革開放四十週年示範企業) (granted to Guangzhou Euro Asia)	Federation of Industrial and Commercial Enterprises (Guangzhou Conghua branch)* (廣州市從化區工商業聯合會(總商會))
2018	Top 10 China Automotive Industry - Automotive Beauty and Maintenance Companies* (2018中國汽車後服務行業汽車美容護理類 Top 10)	China Auto Dealers Chamber of Commerce* (中華全國工商業聯合會汽車經銷商商會)

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Year of Grant	Awards	Awarding Body
2018	Top 100 Automotive Post-market Brands (2018中國汽車後市場百強品牌) (for our BOTNY (保賜利) brand)	Global Automotive Media Recommendation Center* (全球汽車媒體聯薦中心) and the CIAACE Committee* (CIAACE中國汽車用品暨改裝汽車展覽會組委員會)
2017	High-tech enterprise (高新技術企業)	Guangdong Science and Technology Department* (廣東省科學技術廳), Department of Finance of Guangdong Province* (廣東省財政廳), Guangdong Provincial Office, SA7* (廣東省國家稅務局) and Guangdong Local Taxation Bureau* (廣東省地方稅務局) (Note)
2017	Wealth Pyramid Award - Top 10 Car Beautification Brands for the Year (財富金字塔獎年度汽車美容十大品牌)	China Automobile Aftermarket Association* (中國汽車後市場總會)
2017	Wealth Pyramid Award - Top 10 Automotive Beauty and Maintenance Brands for the Year (財富金字塔獎年度汽車保養十大品牌)	China Automobile Aftermarket Association* (中國汽車後市場總會)
2017	Guangdong Brand Product (廣東省名牌產品)	Guangdong Brand Product Promotion Commission* (廣東省名牌產品推進委員會)
2016	2016 Recommended Product (2016年度推薦大獎) (for launching the ternary catalytic restoration agent (三元催化修復劑) under the BOTNY (保賜利) brand)	Auto Magazine* (汽車雜誌)

Note: Guangdong Provincial Office, SAT (廣東省國家稅務局) and Guangdong Local Taxation Bureau (廣東省地方稅務局) were subsequently unified as Guangdong Provincial Tax Service, State Administration of Taxation (國家稅務總局廣東省稅務局).

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MARKETING AND PROMOTION

Our sales and marketing department is responsible for market research, exploring new business opportunities and managing existing customer relationships. It has two subdivisions which are dedicated to serving our overseas customers and PRC customers, respectively.

Our marketing personnel obtains customers' feedback on our products and collects market intelligence such as information about competing products from time to time. To enhance the recognition and image of our own brands, our marketing personnel also undertakes media advertising and promotional campaigns, which includes the following:

1. Media advertising

During the Track Record Period, we have promoted our OBM products through advertisements on radio, television networks and magazines.

2. Sponsorships

We sponsor music concerts from time to time such as the sponsorship to the Music Pioneer Awards ceremony founded by Radio Guangdong, the around-the-world concerts of a well-known Taiwanese singer, Mr. Show Lo (羅志祥) and a well-known Hong Kong female singing group, TWINS in 2017, the music concert of an international acclaimed pianist, Mr. Li Yundi in 2017, the PRC concerts of a well-known Hong Kong singer, Mr. Alan Tam (譚詠麟) in 2017 and 2018, the South China Annual Car Ceremony co-organised by the South China Media Group, the Car Enthusiasts' Corps* (愛車兵團), Radio Guangdong and Car Specialists New Media* (只懂車新媒體) in 2018, a well-known Hong Kong band, Supper Moment in 2018 and a well-known Hong Kong singer, Mr. Eason Chan (陳奕迅) in 2016.

3. Exhibitions and trade fairs

Taking part in automobile and automobile parts industry exhibitions and trade fairs is one of our major marketing activities. We participated in trade fairs and exhibitions such as The Automotive Aftermarket Industry and Tuning Trade Fair (AAITF) in 2017, the China National Hardware Fair in 2017, China International Auto Aftermarket Fair (CIAAF), Zhengzhou in 2018, the auto accessories trade fairs hosted by YASN and Automechanika Shanghai (AMS). We consider that these exhibitions and trade fairs can increase the public awareness of our products in the PRC automotive beauty and maintenance industry. At the same time, they help us understand the latest market trends which are useful references for setting our sales and marketing strategies.

4. Shopping sales and promotion

We organise sales at supermarkets and promotional activities (such as lucky draws) at shopping centres from time to time.

5. Official website

We maintain a website at <http://www.botny.com/> for the promotion of our products and services.

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6. Social media

We advertise through social media such as WeChat.

7. Site visits and other social activities

We visit our customers and organise social activities (such as dinners and trips) to maintain and foster our business relationships from time to time.

RESEARCH AND DEVELOPMENT

Our Directors believe that our research and development provides us with a competitive edge over our competitors in the PRC and is a crucial factor for our success. Our quality and technical supervision department is responsible for, among other things, researching and developing new formulations for chemical contents to enhance the product variety, such as the production of the environmentally friendly products, to refine our existing products or to improve cost efficiency through technological upgrade. As at the Latest Practicable Date, our quality control and technical supervision department had 68 employees. It is divided into the following teams: (i) quality assurance; and (ii) technical supervision (including product engineering). As at the Latest Practicable Date, our executive Director and the head of our safety department and quality control and technical supervision department, Mr. Yang, had over 18 years of experience in quality management and technical supervision in aerosol manufacturing and filling. He joined Guangzhou Botny in September 2000. As at the Latest Practicable Date, other key personnel of the quality control and technical supervision department had approximately five to 15 years of experience in the research and development and/or quality control of car care products, personal care products or household products.

Our quality and technical supervision department strives to launch new products or upgrade our existing products to be in line with perceived market trends. Please refer to the section headed “Business — Our products — New products launched in 2018” in this listing document for more details on our new products. We also have the capability to design our CMS products we manufacture on an ODM basis.

As at the Latest Practicable Date, we had registered in the PRC six invention patents (including a type of titanium dioxide film and preparation method thereof* (一種二氧化鈦薄膜及其製備方法), a type of raw material formula of automobile glass surface protective film and preparation method thereof* (一種汽車玻璃表面保護膜的原料配方及其製備方法), a type of tale wax* (一種表板蠟), a type of carburetor cleaning agent and preparation method thereof*(一種化油器清洗劑及其製備方法) and a type of non-cleaning hand washing liquid and preparation method thereof* (一種免洗洗手液及其製備方法)) and 12 utility model patents (which protect, among other things, our designs of aerosol nozzle and a container for liquid coating). Please refer to the section headed “Appendix V — Statutory and general information — C. Intellectual property rights of our Group” in this listing document for more details.

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In recognition of our strong technology and production development capability, our key operating subsidiary, Guangzhou Botny, has been accredited as High-tech enterprise (高新技術企業) since 2008, which entitles us to a preferential tax rate of 15%, subject to the review and approval by the tax authorities every three years.

In order for us to be continued to be qualified as a High-tech enterprise and be entitled to the 15% preferential tax rate, our annual research and development expenditure must not be less than 3% of our total revenue in a year according to the relevant laws and regulations. For the three years ended 31 December 2018, our research and development expenses amounted to approximately HK\$18.9 million, HK\$18.8 million and HK\$22.2 million, representing approximately 3.6%, 3.6% and 3.6% of our total revenue, respectively.

For the three years ended 31 December 2018, we recognised various government grants of approximately HK\$3.8 million, HK\$1.8 million and HK\$2.8 million, respectively, which were provided by the local government authorities to us as an encouragement for our technological innovation and overseas sales. There are no unfulfilled conditions or contingencies relating to these grants.

We consider our research and development personnel to be our invaluable assets. To incentivise our product engineering personnel to develop more new products, we grant discretionary cash bonuses to our research and development personnel from time to time. For the three years ended 31 December 2018, the staff salary, welfare and bonuses of our research and development personnel amounted to approximately HK\$4.4 million, HK\$4.5 million and HK\$6.0 million, respectively.

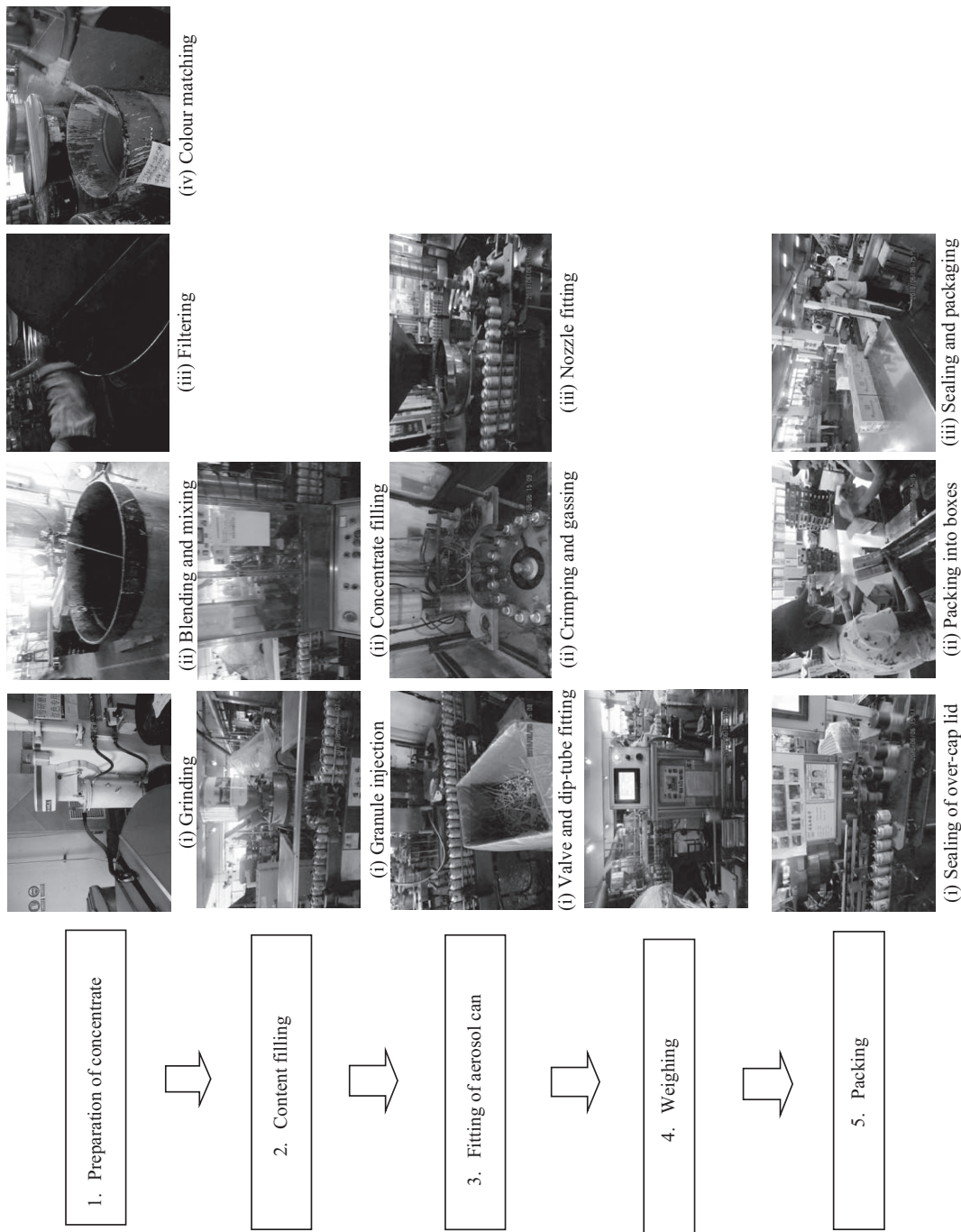
In order to further strengthen our capability in research and development, we work in collaboration with the Chemical Engineering Faculty of the Guangzhou University (廣州大學精細化研究所) in research and development of environmental friendly products. According to the cooperation agreement, which has a term from April 2018 and up to December 2021, Guangzhou University would mainly be responsible for project research and development, while Guangzhou Botny would mainly be responsible for the application and product testing. Guangzhou Botny will have the ownership of the intellectual property rights for the research outcome and shall have priority as to the industrialization of such research outcome. As advised by our PRC Legal Advisers, the said cooperation agreement is legally binding.

PRODUCTION

As at the Latest Practicable Date, our production department had 229 employees. Our production department consists of assembly staff at different workshops and a machinery maintenance team.

Production processes
Aerosol products

The production processes of our products vary for different kinds of products. The principal steps of manufacturing aerosol products are illustrated in the diagram below:



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During the Track Record Period, the production cycle of our major aerosol products (from concentrate preparation to final inspection of products before warehousing of products) could be finished within one day depending on the volume of individual purchase orders.

The initial phase of the production process is preparation of concentrate, where formulations, raw materials and other components are inspected (such as checking the fineness of colourants) before filling into the container. In some cases, our CMS customers provide raw materials including concentrates to us. Depending on the type of products, production of aerosol products typically involves the following key steps:

1. Preparation of concentrate

- (i) Grinding - Raw materials used in our production are selected and cleansed for each batch of product to be produced. They are then subject to grinding.
- (ii) Blending and mixing - Raw materials are then loaded to a premixing machine with resin and thinner, among other materials. After loading, the raw materials are premixed by high speed disperser which serves to break them down into finer parts for further processing. Colour paste is then added slowly and pre-mixed at low speed.
- (iii) Filtering - The mixture is filtered.
- (iv) Colour matching - The mixture together with solvent is added to a colour matching tank for reaching the required colour standard and viscosity of a particular batch of finished product.

2. Content filling

- (i) Granule injection - Granules are injected into the aerosol can.
- (ii) Concentrate filling - We check the weight of the concentrate to ensure it meets the weight requirement.

3. Fitting of aerosol can

- (i) Valve and dip-tube fitting - A valve and the dip-tube are fitted to the aerosol can which is then vacuumised.
- (ii) Crimping and gassing - After vacuumisation, the valve is crimped to the aerosol can, and propellant is injected into the aerosol can, which is then tested for leaks.
- (iii) Nozzle fitting - The nozzle is then fitted to the aerosol can. The functioning of the nozzle, valve and dip-tube is being tested.

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4. Weighing - The product is being weighed to ensure it is of the required weight.
5. Packing
 - (i) Sealing of over-cap lid - Each product is sealed with a tamper-proof lid and assigned with a product code.
 - (ii) Packing into boxes - After inspection of the product code of each finished product, the products are being packed into boxes.
 - (iii) Sealing and packaging of boxes - The boxes are sealed and packaged in accordance with packaging specifications. Each box has a certificate of approval.

Non-aerosol products

The principal steps of manufacturing non-aerosol products are as follows:

1. Preparation of concentrate - The concentrate is prepared by putting raw materials such as purified water and glycol into an emulsion tank, with temperature adjustments during the process.
2. Colour matching - The mixture together with solvent is added to a colour matching tank for reaching the required colour standard and viscosity of a particular batch of finished product.
3. Content filling - Granules followed by the concentrate are injected into a container and the semi-finished product is then weighed.
4. Solidification - In the case of wax products, underwent cooling-off and solidification of the content in a container.
5. Sealing and packaging - A product code is assigned to each product. Products which pass inspection are sealed and packed in accordance with packaging specifications.

During the Track Record Period, the production cycle of our major non-aerosol products (from concentrate preparation to final inspection of products before warehousing of products) could be finished within one to three days depending on the type of product and the volume of individual purchase orders.

Subcontracting arrangement

In 2018, we started to subcontract the production of certain refrigerant products under our BOTNY (保賜利) brand to an Independent Third Party (the “**Subcontractor**”), and to on-sell other refrigerant products supplied by a third party supplier. As we would like to reallocate our resources

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to produce more lucrative products, we decided to outsource the production of refrigerant products. Our Subcontractor has the technology to produce quality gas-tight refrigerant products and our supplier supplies refrigerant products which are manufactured by a manufacturer specialising in the production of refrigerant products.

We enter into a legally binding subcontracting agreement with the Subcontractor. The principal terms of the subcontracting agreement are similar and summarised as below:

1. Raw material procurement: We are generally responsible for procuring raw materials and bear the costs related thereto.
2. Pricing: Product prices are specified in the subcontracting agreements.
3. Payment terms: We settle our bills each month.
4. Specifications and quality requirements: Products manufactured by the Subcontractor shall be in strict compliance with our product specifications and standards.

Our subcontracting agreement does not have a fixed term.

We provided raw materials and packaging materials for content filling by the Subcontractor. The cost incurred under this arrangement amounting to approximately HK\$4.2 million for the year ended 31 December 2018 was inclusive of both subcontracting charges and the cost of raw materials. Both components were recorded as cost of sales for the same period.

For the three years ended 31 December 2018, sales of refrigerant products amounted to approximately HK\$8.9 million, HK\$5.7 million and HK\$6.8 million, respectively. Among the sales of refrigerant products of approximately HK\$6.8 million for the year ended 31 December 2018, approximately HK\$5.2 million was generated from sales of refrigerant products manufactured by our Subcontractor.

Production facilities

We have two production facilities in the Conghua District of the Guangdong Province, the PRC, that is, the North Jufeng Plant and the Tai Yuan Plant which have total gross floor area of approximately 26,816.95 sq.m. and approximately 13,653.33 sq.m, respectively. We substantially completed the relocation of our production lines from the Tai Yuan Plant to the North Jufeng Plant prior to the Track Record Period. During the Track Record Period, we manufactured our products primarily at the North Jufeng Plant, as the North Jufeng Plant is larger in scale and we would like to centralise our production in one plant for effective management. Our Group manufactured refrigerant products at the Tai Yuan Plant during the Track Record Period until the Tai Yuan Plant ceased production. We started to outsource the production of certain refrigerant products and purchase refrigerant products in the form of finished goods for resale in 2018. As advised by our PRC Legal Advisers and confirmed by our Directors, our operations at the Tai Yuan Plant were in compliance with all relevant PRC laws, rules and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

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As at the Latest Practicable Date, there were 26 production lines in operation, of which 22 production lines were fully automatic production lines.

As at 31 December 2016, 2017 and 2018, the net carrying amount of the North Jufeng Plant (comprising land and properties) was approximately HK\$122.0 million, HK\$123.6 million and HK\$108.0 million, and the net carrying amount of the Tai Yuan Plant (comprising land and properties) was approximately HK\$1.4 million, HK\$1.9 million and HK\$1.7 million, respectively.

Production technologies and equipment

In addition to our production lines, the principal production equipment and facilities that we own and use and their respective useful lives are set out below:

1. ex-equipments (防爆器材) for the prevention of fire outbreaks during production with a general useful life of around 5 years; and
2. an underground liquefied gas storage tank (埋地液化氣儲罐) for storing liquefied gas with a remaining useful life of around 7 years.

There is no fixed replacement cycle for our equipment and facilities. We may replace equipment and facilities which have become obsolete.

Production capacity and utilisation

We set out below the production capacity and utilisation rates of our production facilities during the Track Record Period:

	Aerosol Products			Non-aerosol Products		
	Designed capacity (units) (Note 1)	Actual production volume (units)	Utilisation rate (%) (Note 2)	Designed capacity (units) (Note 1)	Actual production volume (units)	Utilisation rate (%) (Note 2)
Year ended 31 December 2016	120,000,000	99,540,982	83%	6,300,000	3,570,723	57%
Year ended 31 December 2017	120,000,000	99,409,865	83%	6,300,000	3,342,950	53%
Year ended 31 December 2018	121,700,000	108,324,173	89%	6,300,000	3,743,279	59%

Actual production volume (units)

	For the years ended 31 December		
	2016	2017	2018
Aerosol products	99,540,982	99,409,865	108,324,173
Non-aerosol products	3,570,723	3,342,950	3,743,279
Total	103,111,705	102,752,815	112,067,452

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Notes:

1. Designed capacity is the sum of the designed capacity of each production line which was in operation during the relevant year/period. The designed capacity of a production line is primarily estimated with reference to the designed capacity as stated in its instruction manual, the number of working hours and the time it took for switching the configuration of a production line to cater for the specifications of different types of products which were produced on the same line. Where an instruction manual is unavailable, the designed capacity of a production line is estimated with reference to the daily target production volume we set for that production line. We assume that the number of working hours was 10 hours each day and it took 1 to 3 hours each day to switch the configuration of each production line. We also assume that the number of effective working days was 250 days in a year taking into account Sundays and the public holidays in the PRC.
2. Utilisation rate is calculated by dividing actual production volume with designed capacity.
3. We started to outsource the production of certain refrigerant products and purchase refrigerant products in the form of finished goods for resale in 2018.

For the three years ended 31 December 2018, we produced approximately 103.1 million units, 102.8 million units and 112.1 million units of products, respectively. In 2018, the increase in the utilisation rate for the production of aerosol products was mainly attributable to the increase in sales in general as compared to that in the previous year. The decrease in the utilisation rate for the production of non-aerosol products in 2017 was mainly attributable to the shift of our focus to the production of more lucrative products including personal care products which are aerosol products. Utilisation rate for the production of non-aerosol products then increased for the year ended 31 December 2018 primarily as a result of a general increase in the demand for wax and coating products which are mainly non-aerosol products. During the Track Record Period, we had not experienced any material disruption in our production.

Construction of a new plant

We plan to construct four industrial complex (including a few workshops and a solvents pump house) with total gross floor area of approximately 15,525.54 sq.m. on the Xihucun Land. A planning permit for the four industrial complex was granted to Guangzhou Euro Asia on 11 October 2016. As confirmed by our Directors, Guangzhou Euro Asia initially planned to use certain buildings for processing aerosol cans and solvents. However, this preliminary plan, which was contemplated prior to our acquisition of Guangzhou Euro Asia, is subject to change and we may instead use them as additional production facilities for our personal care products and automotive beauty and maintenance products, research and development and warehousing. To date, we still have not formulated any concrete business plan and will apply for a new planning permit once we have finalised our plan.

We are currently clearing the land and construction of the four industry complex has not yet commenced. As at 31 December 2018, the incurred cost relating to land formation and research amounted to approximately HK\$3.3 million. We expect construction of the four industry complex to take two years from the time we have confirmed to proceed with the construction plan and the estimated construction cost is approximately RMB45.0 million which is expected to be satisfied by our internal resources.

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The net carrying amount of the Xihucun Land was approximately HK\$8.6 million as at 31 December 2018 and the market value of the Xihucun Land was approximately RMB40.0 million as at 31 March 2019 as set out in Appendix III to this listing document. As the market value of the Xihucun Land is higher than its net carrying amount, our Directors consider that no impairment was required to be made during the Track Record Period.

QUALITY ASSURANCE

As at the Latest Practicable Date, our quality assurance team within our quality control and technical supervision department had 11 employees. They work together with our technical supervision team of the same department when implementing quality control procedures.

Guangzhou Botny is accredited with the following certifications from Zhongjian Certification Co., Ltd.* (中鑒認證有限責任公司): (i) GB/T19001-2016/ISO9001:2015 standard quality management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and heat insulation coating products; and (ii) GB/T24001-2016/ISO14001:2015 environmental management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and heat insulation coating products and the related management system. Both certificates were awarded on 26 July 2016 and will remain valid until 25 July 2019.

Guangzhou Euro Asia is accredited with the following certifications from Zhongjian Certification Co., Ltd.* (中鑒認證有限責任公司): (i) GB/T19001-2016/ISO9001:2015 standard quality management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and skincare, haircare class cosmetics; and (ii) ISO9001:2015 quality management system certification for our design, production and sale of aerosol products, cleaning agents, wax products and skincare, haircare class cosmetics. Both certificates were awarded on 1 August 2017 and will remain valid until 31 July 2020.

We have implemented the following procedures to ensure the quality of our services:

1. Quality control on suppliers and raw materials

Raw materials are only sourced from suppliers approved by our procurement department. Please refer to the section headed “Business — Our suppliers” in this listing document for more details. Our quality and technical supervision personnel check the raw materials on a sampling basis at our laboratory upon receipt of raw materials. Also, as raw materials and packaging materials do not have a warranty period, our quality and technical supervision check the raw materials and packaging materials semi-annually and annually to identify obsolete and damaged stock.

2. Quality control during production

We carry out quality control on our semi-finished products at various stages along our production lines to ensure their quality complies with applicable industry standards and internal benchmarks.

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Among others, production of our products conforms to the following industry standards which were issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China* (中華人民共和國國家品質監督檢驗檢疫總局):

Product	PRC National Standard
Refrigerant	GB/T 18826 "1,1,1,2-tetrafluoroethane HFC-134a" for industrial use * (GB/T 18826工業用四氟乙烷 HFC-134a)
Anti-freeze agent	GB 29743 "Motor Vehicle Engine Coolant" * (GB 29743機動車發動機冷卻液)
Air-freshener	QB 2548 "Air-freshener" * (QB 2548空氣清新氣霧劑)
Insect-stain remover (for glass)	GB/T 23436 "Car window detergents" * (GB/T 23436汽車風窗玻璃清洗液)
Automobile spray paint	BB/T 0047 "Aerosol paint" * (BB/T 0047氣霧漆)
Refrigeration lubricant	NB/SH/T 0849 "Compound refrigeration lubricants for air-conditioners in vehicles" * (NB/SH/T 0849汽車空調合成冷凍機油)
Motor vehicle brake oil	GB 12981 "Motor vehicle brake oil" * (GB 12981機動車輛制動液)

3. Inspection before storage

It is our policy to inspect the products to ensure they conform to product specifications prior to storage.

4. Testing before delivery

We carry out quality control on our finished products by random and sample testing, and our quality and technical supervision personnel check our products on a sampling basis at our laboratory.

In addition, we submit samples to the Guangzhou Conghua Bureau of Quality Supervision* (廣州市從化區質量技術監督局) (the "**Quality Supervision Bureau**"). As stated in the confirmations issued by the Quality Supervision Bureau on 8 March 2018, 6 July 2018 and 31 January 2019, the Quality Supervision Bureau had not penalised Guangzhou Botny or Guangzhou Euro Asia for infringement of any quality assurance laws and regulations during the Track Record Period. As advised by our PRC Legal Advisers, the Quality Supervision Bureau is a competent authority for issuing the confirmations.

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Product returns, consumer feedback and product recall

We have an established policy for handling product complaints. We have a dedicated team of customer service personnel under our sales and marketing department which handle customer complaints. Our customer service personnel together with our quality assurance team under our quality and technical supervision department seek to identify any quality related issues. We may refund or replace the defective products at our own costs, as the case may be. Any refund is offset against the accounts receivable of the relevant customer as recognised in our accounts. Product recall and replacement is subject to the prior approval of our responsible regional sales team. The product warranty period is usually three years. We have not made any provision for product returns, as our Directors consider the historical amounts of product returns to be insignificant.

Our product returns amounted to approximately HK\$0.6 million, HK\$1.1 million and HK\$1.1 million, accounting for approximately 0.1%, 0.2% and 0.2% of our total revenue, respectively, for the three years ended 31 December 2018. The product returns were mainly from our OBM customers which are automotive beauty and maintenance service providers, automotive beauty and maintenance product wholesalers or retailers and export and trading companies due to defective products.

We face an inherent risk of exposure to product liability claims in the event that the use of our products results in health or safety issues or damages. The end-consumers of our products may have the right to bring an action under tort and we may also be subject to tortious liabilities for any damages caused by defects of our products. According to the Tort Law of the PRC* (中華人民共和國侵權責任法) which was promulgated by the Standing Committee of the NPC on 26 December 2009 and became effective since 1 July 2010, if damage or physical injury is incurred due to product defect, the manufacturer of the product and the seller shall assume civil liability in accordance with the above-mentioned law and other related laws and regulations. In addition, we export certain amount of our products from the PRC to our overseas customers and we rely on other entities such as our agents and our foreign customers to comply with the relevant procedures and regulations. For further details, please refer to the section headed “Risk factors — We may fail to maintain an effective quality control system and may be subject to claims by our customers and consumers of our products in respect of product quality and compliance with relevant health and safety standards, and our insurance coverage might not be sufficient to cover our potential losses in product liability claims” in this listing document.

During the Track Record Period, we faced two defective products claims from two of our CMS customers, which we had eventually paid approximately RMB206,000 and RMB150,000 to the respective CMS customers as settlement. During the Track Record Period and up to the Latest Practicable Date, (i) we were not subject to material product complaints, or regulatory fines and penalties in the PRC regarding product quality or safety; (ii) we did not experience any cancellation of customer orders; and (iii) we did not have material sales return or product recall.

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INVENTORY CONTROL

Our inventory mainly comprises raw materials, work-in-progress and finished products. We have inventory management procedures that monitor the planning and allocation of warehouse space and stock of raw materials, work-in-progress and finished products to coordinate with the delivery arrangements and schedules.

We adopt different production planning and inventory management strategies for our CMS products and OBM products.

We manufacture our CMS products on a made-to-order basis. From time to time, our customers may supply us with raw materials. We may also source raw materials directly from our suppliers.

On the other hand, we manufacture our OBM products on a made-to-stock basis, that is, we manufacture before our OBM customers place orders with us. Our sales and marketing department, based on their understanding of historical sales and perceived market trends, formulates annual sales targets at our Group's level and at the regional level. It is also on this basis that we determine sales targets for each contractual distributor as set out in their respective distribution agreements. Our regional sales teams then prepare their respective quarterly and monthly sales targets. Monthly production plans are prepared with reference to the monthly sales forecasts and our inventory level, among other things. We do not usually adjust the monthly sales targets unless there are material adverse changes to the economy or the operating environment. Our sales and marketing department reviews every month and every quarter whether our regional sales teams are able to meet their monthly and quarterly sales targets. At the end of each year, our sales and marketing department reviews annual sales by region, product and brand, customer turnover rate, the level of returned goods and the number of customer complaints. It is our policy to maintain an inventory level sufficient for at least 15 to 50 days' supply of finished products. This is determined with reference to the historical daily sales of each type of products.

Our warehousing department and our production department carry out physical stock counts from time to time to monitor our inventory level and to identify obsolete or damaged stock. Our designated stocktake team together with our finance department and our production department also carries out semi-annual and annual overall stock counts. We recorded an insignificant amount of impairment of inventory due to damaged and obsolete stock during the Track Record Period.

RAW MATERIALS AND PROCUREMENT

As at the Latest Practicable Date, our procurement department consisted of 8 employees.

Our cost of sales consists of raw material costs, direct labour cost and manufacturing overhead costs. Our major raw materials include solvents, aerosol cans (including tinsplate and aluminum cans) and packaging materials (such as dip-tubes, valves and paper-boxes) which are predominantly sourced from our PRC suppliers. For the three years ended 31 December 2018, our costs for raw materials were approximately HK\$304.5 million, HK\$324.9 million and HK\$395.5 million, representing approximately 87.7%, 87.6% and 87.3% of our total costs of sales, respectively.

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Our procurement department procures raw materials with reference to our monthly production plans, production orders on hand and inventory level. We may purchase raw materials by placing purchase orders and/or enter into one-year procurement agreements with our suppliers from time to time.

It is our policy to obtain price quotations from two to three qualified suppliers of comparable major raw materials before placing an order.

We settle our bills issued by our suppliers through cash settlement, bank transfer or different credit arrangements including by way of bank acceptance bill. During the Track Record Period, trade payables were normally settled on terms of 30 to 90 days.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not experience any shortage or material delay in the supply of raw materials. Our Directors do not anticipate any material difficulties in the procurement of the raw materials in the foreseeable future.

OUR SUPPLIERS

We have approximately five to eleven years of cooperation with our top five suppliers during the Track Record Period and have established stable business relationship with them.

The selection of our suppliers is based on the following criteria:

1. a supplier has obtained all requisite production licences;
2. a supplier's ability to supply a stable source of quality raw materials that meet our stringent standards, its quality management system and whether such system is appropriately accredited; and
3. a supplier's ability to supply raw materials at competitive prices.

We shortlist and handpick suppliers through the following screening and evaluation process:

1. our initial assessment based upon basic information of the suppliers;
2. test of the suppliers' sample products by our technical staff;
3. our implementation of a product trial period; and
4. our site-visit to the suppliers' factories or production plants with a view to ensuring that our suppliers have supply capability.

Further, we conduct annual review and random review of our list of approved suppliers, and these suppliers who cannot satisfy our quality or other requirements will be removed from the list.

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Our top five suppliers

The table below set forth the top five suppliers of our Group during the Track Record Period:

For the year ended 31 December 2016

Rank	Name of suppliers	Principal business activities carried on by supplier	Type of main products provided	Approximate years of business relationship	Purchase amount (HK\$'000)	Percentage of total cost of sales
1	Supplier A	Processing, production and operating of all kinds of tinplate packaging container, printed tinplate, tinplate and different kinds of packaging material products	Aerosol cans	11	32,926	9.5%
2	Supplier F	Manufacturing and processing of metal materials, wholesale of the gasoline, diesel and kerosene used for shipping industry system	Solvents	5	19,206	5.5%
3	Supplier B	Wholesale of chemical products, wholesale and retail of auto parts, manufacturing of metal packaging container and auto parts and accessories	Aerosol cans	11	16,611	4.8%
4	Supplier C	Production and operation of aerosol valves, nonmetallic product molds, plastic liquid pumps, plastic bottles, household liquid spray diffusers and accessories, plastic caps, metal bottles, as well as metal packaging products used to contain kinds of oil, foodstuffs, fruit, vegetable, beverage and daily chemical product	Nozzles, dip-tubes and over-caps of aerosol cans	11	16,362	4.7%
5	Supplier D	Domestic wholesale of fuel oil, paraffin oil and lubricant, methanol, gas condensate, solvent oil, naphtha, pitch and aromatic	Liquefied petroleum gas	8	15,711	4.5%
					Total:	29.0%
					100,826	

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For the year ended 31 December 2017

Rank	Name of suppliers	Principal business activities carried on by supplier	Type of main products provided	Approximate years of business relationship	Purchase amount (HK\$'000)	Percentage of total cost of sales
1	Supplier A	Processing, production and operating of all kinds of tinplate packaging container, printed tinplate, tinplate and different kinds of packaging material products	Aerosol cans	11	23,913	6.5%
2	Supplier D	Domestic wholesale of fuel oil, paraffin oil and lubricant, methanol, gas condensate, solvent oil, naphtha, pitch and aromatic	Liquefied petroleum gas	8	19,639	5.3%
3.	Euro Asia Packaging (Note 1)	Manufacturing and sale of packaging materials	Aluminum cans	11	19,391	5.2%
4	Supplier G	Wholesale of dangerous chemicals, and sale of steam, condensate water and hot water	Solvents	6	17,509	4.7%
5	Supplier F	Manufacturing and processing of metal materials, wholesale of the gasoline, diesel and kerosene used for shipping industry system	Solvents	5	16,844	4.5%
					Total:	
					97,296	26.2%

Note:

1. Represented direct and indirect purchases from Euro Asia Packaging via European Asia Industrial.

BUSINESS

For the year ended 31 December 2018

<i>Rank</i>	<i>Name of suppliers</i>	<i>Principal business activities carried on by supplier</i>	<i>Type of main products provided</i>	<i>Approximate years of business relationship</i>	<i>Purchase amount (HK\$'000)</i>	<i>Percentage of total cost of sales</i>
1.	Euro Asia Packaging (Note 1)	Manufacturing and sale of packaging materials	Aluminum cans	11	27,213	6.0%
2.	Supplier D	Domestic wholesale of fuel oil, paraffin oil and lubricant, methanol, gas condensate, solvent oil, naphtha, pitch and aromatic	Liquefied petroleum gas	8	22,217	4.9%
3.	Supplier A	Processing, production and operating of all kinds of tinplate packaging container, printed tinplate, tinplate and different kinds of packaging material products	Aerosol cans	11	21,339	4.7%
4.	Supplier G	Wholesale of dangerous chemicals, and sale of steam, condensate water and hot water	Solvents	6	19,930	4.4%
5.	Supplier F	Manufacturing and processing of metal materials, wholesale of the gasoline, diesel and kerosene used for shipping industry system	Solvents	5	18,066	4.0%
					Total:	24.0%
					108,765	24.0%

Note:

1. Represented direct and indirect purchases from Euro Asia Packaging via European Asia Industrial and Hong Kong Aluminum Cans.

For the three years ended 31 December 2018, costs of purchases from our top five suppliers were approximately HK\$100.8 million, HK\$97.3 million and HK\$108.8 million, representing approximately 29.0%, 26.2%, and 24.0% of our total costs of sales, respectively. For the three years ended 31 December 2018, costs of purchases from our largest supplier amounted to approximately HK\$32.9 million, HK\$23.9 million and HK\$27.2 million, representing approximately 9.5%, 6.5% and 6.0% of our total costs of sales, respectively.

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Independence of our top five suppliers

As at the Latest Practicable Date, one of our Controlling Shareholders, Mr. Lin indirectly held more than 30% of the issued share capital of Euro Asia Packaging, which was one of our top five suppliers for the two years ended 31 December 2018. Euro Asia Packaging is therefore a connected person of our Company. We expect to continue to purchase aluminum cans from Euro Asia Packaging for the next three years ending 31 December 2021. Please refer to the section headed “Continuing connected transactions” in this listing document for more details.

Our Directors confirm that save as disclosed above, all of our top five suppliers are Independent Third Parties, and none of our Directors, their respective close associates or any Shareholder who, to the best knowledge and information of our Directors, owned more than 5% of the issued share capital of our Company, had any interest in any of our Group’s top five suppliers during the Track Record Period.

ENVIRONMENTAL MATTERS

We are subject to PRC environmental laws, regulations and standards including the Environmental Protection Law of the PRC* (中華人民共和國環境保護法). Please refer to the section headed “Regulatory overview” in this listing document for details of applicable PRC environmental laws, regulations and standards.

The content of our products include propellant, which is a compressed gas that is used to dispense the contents of an aerosol container when the pressure of the container is released. The propellant we use in our production can be broadly classified into VOC (such as dimethyl ether (“DME”) and liquefied petroleum gas) and non-VOC (such as carbon dioxide and nitrogen) categories and we mainly use DME and liquefied petroleum gas as propellant for our products. Our production involves the use and storage of such propellant gases which are flammable and/or explosive and to a certain extent, environmentally hazardous. In determining the type of propellant used in our products, we will take into consideration the functional requirement of the relevant products, the costs of purchase, the regulatory requirements imposed by the governmental authorities and the overall safety of our products. We are prone to use propellant that is more environmentally-friendly and cost efficient.

As our production process involves the use and storage of hazardous materials, it is always our top concern to comply with the applicable environmental laws and regulations in the PRC and avoid the occurrence of any environmental contamination event during our production activities. As a result, we continuously observe the laws and regulations in relation to environmental protection as amended from time to time in the PRC. In practice, in order to properly control the disposal of our production wastes, we have formulated detailed environmental protection rules and guidance for our staff to follow during production. In addition, to ensure that the quantities and rates of our production discharge are in compliance with the applicable environmental laws and regulations, we engage qualified third-party pollutant supervision companies to examine, monitor and provide advices on our pollutant discharge conditions for each financial year.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisers, we had complied with the applicable PRC environmental laws and regulations in all material respects, and that we were not subject to any material fines or legal actions involving non-compliance with any relevant regulations in the PRC.

For each of the three years ended 31 December 2018, environmental compliance cost (including cost in relation to the construction of a septic tank and sewage treatment fee) amounted to approximately HK\$0.2 million, HK\$0.9 million and HK\$70,000 respectively.

OCCUPATIONAL SAFETY

We are subject to PRC labour, safety and work-related laws and regulations including the Law on Production Safety of the PRC* (中華人民共和國安全生產法). Please refer to the section headed “Regulatory overview” in this listing document for more details.

As at the Latest Practicable Date, our safety department had seven employees. We have already established a work safety system which includes a system for recording and handling accidents for its production facilities and formulated a number of guidelines in this regard. Our Group holds regular safety training sessions for its employees.

According to the confirmations issued by Guangzhou Conghua Administration of Work Safety* (廣州市從化區安全生產監督管理局) (the “**Conghua Work Safety Administration**”) on 27 February 2018, 24 March 2018, 12 July 2018, 17 July 2018 and 12 February 2019, respectively, during the Track Record Period, neither Guangzhou Botny nor Guangzhou Euro Asia was involved in any fatal accidents or was fined for any material contravention of relevant work safety laws by the Conghua Work Safety Administration. Our PRC Legal Advisers consider the Conghua Work Safety Administration to be a competent authority to advise on the work safety issues of Guangzhou Botny and Guangzhou Euro Asia.

EMPLOYEES

As at the Latest Practicable Date, we had 483 employees (exclusive of Directors), of whom 480, two and one employees were based in the PRC, Hong Kong and Japan, respectively. A breakdown of our employees by function is set forth below:

Function	Number of employees
Sales and marketing	72
Production	229
Procurement	8
Quality control and technical supervision	68
Safety	7
Warehousing	44
Finance	12
Human resources, administration and information support	43
Total:	483

BUSINESS

In addition, as at the Latest Practicable Date, we had seven Directors including four executive Directors and three independent non-executive Directors.

Full-time staff in the PRC are usually paid a monthly basic salary and are entitled to statutory paid leave. Their employee benefits may also include a performance-based commission. As advised by our PRC Legal Advisers, we contributed to social insurance and housing fund for our employees in compliance with applicable statutory requirements in the PRC during the Track Record Period.

During the Track Record Period, we also engaged dispatch workers through an external employment agent. Our external employment agent charged us a management fee which ranged from RMB2.00 to RMB2.50 per hour per worker, and we paid wages to these staff through our employment agent. Our external employment agent was responsible for paying the social insurance and housing fund contributions for the dispatched workers, the expenses of which were included in the abovementioned expenses we paid to the external employment agent.

We subsequently terminated the labour dispatch arrangement and entered into the labour outsourcing agreements with a human resources company in September 2018. As we have outsourced the recruitment of some production staff, the number of employees decreased from 551 as at 31 December 2017 to 483 as at the Latest Practicable Date (exclusive of the relevant Directors).

Our Directors consider that our Group has maintained a good relationship with our employees and is expected to remain amicable in the future. During the Track Record Period and up to the Latest Practicable Date, there was no incident of disruption of work which had an adverse impact on our operation, no material dispute between our Group and our employees and no labour union was established by our employees.

We believe that our employees are valuable assets to our Group. From time to time, our employees receive on-job training.

We have not experienced any difficulties in replacing outgoing staff or recruiting experienced staff or skilled personnel. We recruit employees primarily through open market through posting of advertisements online or internal referrals by our other employees.

INSURANCE

We have maintained property insurance which covers our production facilities (including inventory and machinery and equipment), work safety liability insurance which covers work injuries at our production facilities, products liability insurance in relation to our automotive beauty and maintenance products and property insurance which cover our vehicles.

We are required under relevant PRC laws and regulations to pay social insurance and housing provident fund for our employees. Please refer to the section headed “Business — Employees” in this listing document for more details.

BUSINESS

We believe that we are covered by adequate property and liability insurance policies which are customary for similar companies in the PRC. However, our insurance coverage may not be adequate to cover all losses that may occur. Please refer to the section headed “Risk Factors — Our insurance coverage may not be sufficient to cover all risks in relation to our business operations” in this listing document for more details.

PROPERTIES

Owned properties

As at the Latest Practicable Date, our Group owned the following properties:

1. a parcel of land with a site area of approximately 66,047.00 sq.m situated at No. 628 Jufeng North Road, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市從化區鰲頭鎮聚豐北路628號) (i.e. the North Jufeng Land) on which our North Jufeng Plant, research and development centre, ancillary facilities, offices and staff quarters are constructed with a total gross floor area of approximately 26,816.95 sq.m. The property is subject to a mortgage in favor of a bank in the PRC;
2. 3 parcels of land with a total site area of approximately 18,631.60 sq.m. situated at Nos. 11-12 Tai Yuan Road, Conghua Economic Technology Development Zone, Conghua District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市從化區經濟技術開發區太源路11-12號) on which our Tai Yuan Plant, ancillary facilities, offices and warehouse are constructed with a total gross floor area of approximately 13,653.33 sq.m. Our ownership of one of the warehouses is subject to a mortgage in favour of a bank in the PRC; and
3. a parcel of land with a site area of 63,623.00 sq.m. situated at Xinhui Village, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市從化區鰲頭鎮西湖村地段) on which various buildings, and structures are proposed to be developed with a total gross floor area of approximately 15,525.54 sq.m (i.e. the Xihucun Land). The property is subject to a mortgage in favor of a bank in the PRC.

As advised by our PRC Legal Advisers, state-owned land use right certificates and/or building ownership right certificates have been issued in respect of these parcels of land and the buildings erected thereon, except that we have not received building ownership right certificates for certain structures erected on the North Jufeng Land. Please refer to the section headed “Business — Non-compliance” in this listing document for further details.

We are engaged in non-property activities for the purpose of Rule 5.01 of the Listing Rules. The property valuation report in Appendix III in this listing document have set out the details and market values of our properties as of 31 March 2019. As required by Rule 5.01B(2)(b) of the Listing Rules, we confirm that, except for the property interests in the valuation report in Appendix III in this listing document, no single property has a carrying amount of 15% or more of our total assets as of 31 December 2018.

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Leased properties

As at the Latest Practicable Date, our Group held the following properties on lease:

1. an office that is situated at Office Unit G, 20th Floor, Golden Sun Centre, Nos. 59/67 Bonham Strand West, Hong Kong. The landlord is Mr. Lin. Please refer to the section headed “Continuing connected transactions” in this listing document for further details; and
2. an office that is situated at Room 405 Esaka Building, 1-30 Toyotsu-cho, Suita-shi, Osaka-fu, Japan. The landlord is an Independent Third Party.

INTELLECTUAL PROPERTIES

We supply our OBM products under a number of trademarks, including but not limited to BOTNY (保賜利), ATM, FOX-D (狐狸), ETOMAN (已度明), NISSEI, WIN (勝彩), PISCIS (百麗時) and PARLUX (派樂士). As at the Latest Practicable Date, we had 200 registered trademarks, six registered invention patents and 12 registered utility model patents in the PRC, one registered trademark in Japan, five registered trademarks in Hong Kong, one registered trademark in Spain and three registered trademarks in South Korea. We are in the process of applying for the registration of 103 trademarks in the PRC and other trademarks in Singapore, Chile, Taiwan, Malaysia, Pakistan, South Korea, Sri Lanka and the United States. For the intellectual properties which are material to our business, please refer to the section headed “Appendix V — Statutory and general information — C. Intellectual property rights of our Group” in this listing document for more details.

Our standard employment contract contains a confidentiality clause to protect our proprietary rights in formulae and technologies we develop and other trade secrets. The ownership of formulae and technologies belong to us, not the employees who developed the formulae and technologies.

From time to time, we are required to enter into confidentiality agreements or trademark licensing agreements with our CMS customers for the protection of our customers’ proprietary rights in formulae and technologies they develop and other trade secrets.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any infringement of our intellectual property rights, or faced or had been threatened with any proceedings concerning material claims by third parties alleging breach of their intellectual property rights by us.

LEGAL COMPLIANCE

Guangzhou Botny holds a valid production safety license (with an expiry date on 12 June 2019) for the Tai Yuan Plant whereas Guangzhou Euro Asia holds a valid production safety license (with an expiry date on 25 July 2021) and is responsible for the production safety of our Group’s production conducted in the North Jufeng Plant. As at the Latest Practicable Date, our Company was in the process of renewing the production safety licence for the Tai Yuan Plant and our PRC Legal Advisers advise and our Directors confirm that there is no legal impediment to such renewal. As advised by our PRC Legal Advisers and confirmed by our Directors, save as disclosed in the section headed

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“Business — Non-compliance” in this listing document, we had (i) obtained all necessary licences, permits or certificates that are material to conduct our business; (ii) complied in our operations with all relevant PRC laws, rules and regulations in all material aspects; and (iii) obtained confirmations from relevant administration for industry and commerce, land tax bureau, national tax bureau, human resources and social security bureau, housing provident fund management center, customs, quality supervision bureau, and work safety bureau, all being the competent authorities, that no records of material violation of relevant laws and regulations were found during the Track Record Period.

A majority of our overseas sales is sold on a CMS basis in that we are to manufacture products using product formulas supplied by our customers, or develop product formulas strictly in accordance with the customer’s requirements and/or specifications, as the case may be. As confirmed by our Directors, during the Track Record Period, no material complaint or warning was received in respect of our products violating any overseas laws or regulations.

During the Track Record Period, Japan was the top overseas market (based on the registered offices of our customers) for our CMS products. Our Company has an indirect wholly-owned subsidiary, Euro Asia Japan, in Japan. As advised by our Japanese legal advisers, during the Track Record Period, Euro Asia Japan and each of its past and current directors and shareholders complied with all relevant laws and regulations in Japan applicable to the conducting of business by Euro Asia Japan including regulations relating to product liability, customs and the relevant industries.

Transfer pricing

During the Track Record Period, the flows of our raw materials and finished goods were as follows (the “**Transfer Pricing Arrangement**”):

- (i) Guangzhou Botny purchased raw materials via Botny and Botny HK;
- (ii) Guangzhou Botny sold our products to our customers via Botny, Botny HK and Euro Asia Japan;
- (iii) Guangzhou Euro Asia purchased raw materials via Botny HK, China Medical Beauty and European Asia Industrial; and
- (iv) Guangzhou Euro Asia sold our products to our customers via Botny HK and European Asia Industrial.

Each of the aforesaid entities can be characterised as follows:

- (i) Guangzhou Botny and Guangzhou Euro Asia are characterised as full-function principal entity of our aerosol product business, responsible for manufacturing and sales of aerosol products, and bear relevant market risks, product liability risks, credit risks, etc.; and
- (ii) Botny, Botny HK, European Asia Industrial and Euro Asia Japan are characterised as distributors with very limited functions and risks.

BUSINESS

In view of the immaterial amounts of the inter-company transactions associated with Euro Asia Japan and China Medical Beauty (newly incorporated in November 2017) during the Track Record Period, we did not engage any tax adviser to evaluate the related tax exposure. Other than the above, a tax adviser (the “**Tax Adviser**”) was engaged to perform a transfer pricing analysis in relation to the remaining cross-border intra-group transactions (the “**Transactions**”) during the Track Record Period. According to the Tax Adviser, from our Group’s consolidated perspective, the transfer pricing tax exposure arising from the Transactions during the Track Record Period were HK\$509, HK\$25,014 and HK\$88,304, representing approximately 0.00%, 0.00% and 0.21% of our profit attributable to equity holders of our Company, respectively. Taking into account (i) the transaction amounts involved in the Transfer Pricing Arrangement; and (ii) the benchmarking analysis on the profit margins of comparable companies, our Directors consider that the Transfer Pricing Arrangement has immaterial tax exposure from our Group’s overall perspective.

NON-COMPLIANCE

Save as disclosed below, the operation of our Group was in material compliance with the applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalties on our Group	Remedial measures taken/to be taken
<p>1. Structures without valid building ownership certificates</p> <p>As at the Latest Practicable Date, each of the 5 structures (including a research and development centre, a switch-board room, a security guard room, a tennis court and a boiler room, collectively, the “Structures”) erected on the North Jufeng Land did not hold a building ownership certificate. Together, the Structures have a gross floor area of approximately 3,185.27 sq.m.. In December 2010, Guangzhou Euro Asia obtained the construction planning permits (建築工程規劃許可証) for the research and development centre, the switch-board room and the boiler room but such structures were not subject to completion inspection (竣工驗收). No construction planning permits for the security guard room and the tennis court were obtained. Such non-compliance incident was due to unintended and inadvertent oversight of the relevant PRC laws and regulations by our staff.</p> <p>As at 31 December 2016, 2017 and 2018, the net carrying amount of the Structures was approximately HK\$3.5 million, HK\$3.5 million and HK\$3.1 million, respectively.</p>	<p>As advised by our PRC Legal Advisers, as stipulated by Section 64 of the Urban and Rural Planning Law of the PRC* (中華人民共和國城鄉規劃法), where construction works are not implemented in accordance with the requirements set out in the construction planning permit or the construction works commenced before obtaining such permit, in the case where such defect is rectifiable, the competent authority may order the defaulting party to rectify such defect within a prescribed period, as well as imposing a fine between 5% to 10% of the total construction cost. In the case where such defect is not rectifiable, the competent authority may order the demolition of the illegal structures within a prescribed period or where demolition is not performed within the prescribed period, forfeit the illegal structures or any income derived from such illegal structures, as well as imposing a fine up to 10% of the total construction cost.</p> <p>Our PRC Legal Advisers consider that given the Structures were put in use without being inspected and certified in accordance with the applicable PRC construction planning laws and regulations, there is a risk that the competent authority may order the demolition of the Structures and/or a fine up to 10% of the total construction cost may be imposed. As confirmed by our Directors, the total construction cost of the relevant structures amounted to approximately RMB4.2 million. Based on the aforesaid, the maximum fine in such connection is approximately RMB425,000.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, no intervention or penalties have been imposed by the competent authority in relation to the construction of the Structures or our use of such Structures. As confirmed by our PRC Legal Advisers, none of our Group’s major production activities was carried out in the Structures during the Track Record Period and the Structures are replaceable structures as not being any material production facilities. Should these structures be demolished, it would not have any significant impact on the business operations of our Group as a whole.</p> <p>Our Controlling Shareholders have agreed to indemnify our Group against any actions, claims, losses, payments, settlement payments, penalties, damages, costs, charges or expenses that may be suffered or incurred by our Group in respect of or arising directly or indirectly from any title defects of the Structures.</p>

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Non-compliance incidents and reasons for non-compliance

2. Dispatched labour

During the Track Record Period, Guangzhou Euro Asia entered into various labour dispatch agreements (the “**Labour Dispatch Agreement(s)**”) with a labour dispatch entity for its provision of labour dispatch services. From time to time, Guangzhou Euro Asia, and Guangzhou Botny who shared the labour dispatch services from Guangzhou Euro Asia under the said Labour Dispatch Agreements, engaged and utilised dispatched staff when it required a large amount of temporary workforce to assist our technical staff due to operation and production need.

Pursuant to the provisional regulations on labour dispatch* (勞務派遣暫行規定) promulgated by the ministry of human resources and social security, employers shall strictly control the number of labour dispatch workers, and the number of dispatched workers shall not exceed 10% of the total labour force. There were occasions during the period commencing September 2016 to August 2018, where the number of dispatched staff engaged by Guangzhou Botny and Guangzhou Euro Asia had exceeded the regulatory threshold of 10% of the total number of their respective workers. During the Track Record Period, we experienced relatively high staff turnover rate in certain production processes such as packaging, folding and gluing as well as other support functions such as security and cleaning. For the purpose of reducing the amount of time and manpower involved in the recruitment of these staff, Guangzhou Euro Asia and Guangzhou Botny decided to utilise a certain number of dispatched staff to undertake the above functions. However, due to the absent of professional advices for relevant staff in charge of recruiting those dispatched staff, the number of dispatched staff utilised by Guangzhou Euro Asia and Guangzhou Botny have exceeded the regulatory threshold.

Legal consequences and potential maximum penalties on our Group

According to the labour contract law of the People’s Republic of China* (中華人民共和國勞動合同法), if the employing unit violates the relevant provisions of the law on labour dispatching, the labour administrative department shall order it to rectify such violation within a time limit. If the employing unit fails to rectify the violation after being so ordered by the competent labour authorities, the competent labour authorities may order a fine between RMB5,000 to RMB10,000 per dispatched staff utilised in violation of the provisional regulations on labour dispatch* (勞務派遣暫行規定).

As advised by our PRC Legal Advisers after consulting with the relevant local enforcement authority, the actual amount of penalty imposed would be assessed on a case-by-case basis after taken into consideration any specific circumstances of a particular case, and, in principle, no administrative penalties would be imposed on an entity that has ceased its violation against the relevant labour laws and regulations.

As at the Latest Practicable Date, each of Guangzhou Botny and Guangzhou Euro Asia had not received any notice of rectification from the relevant labour administrative departments, and each of Guangzhou Botny and Guangzhou Euro Asia had obtained the compliance certificates issued by relevant department in charge of labour affairs, confirming that no records of any violation of labour laws and regulations were found during the Track Record Period.

Remedial measures taken/to be taken

To rectify the situation, on 1 September 2018, Guangzhou Euro Asia terminated the Labour Dispatch Agreement then in force with the relevant labour dispatch entity, and each of Guangzhou Botny and Guangzhou Euro Asia entered into a labour outsourcing agreement (the “**Labour Outsourcing Agreement(s)**”) with a human resources company respectively, pursuant to which, among others, the relevant human resources company would be responsible for the management of the sub-contracting staff including entering into labour contracts with such sub-contracting staff and be responsible for paying their wages. According to our PRC Legal Advisers, the Labour Dispatch Agreements and the Labour Outsourcing Agreements are subject to different applicable PRC laws — the Labour Dispatch Agreements are governed by the Labour Contract Law of the PRC* (中華人民共和國勞動合同法), while the Labour Outsourcing Agreements are governed by the Contract Law of the PRC* (中華人民共和國合同法). Furthermore, our Group would be held jointly liable with the relevant labour dispatch entity to the utilised dispatched staff under the labour dispatch arrangement, while our Group does not have any contractual relationship with such sub-contracting staff, and therefore, shall not be liable to such sub-contracting staff under the labour outsourcing arrangement. As advised by our PRC Legal Advisers, the Labour Outsourcing Agreements constitute valid contracts and are legally binding.

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Non-compliance incidents and reasons for non-compliance

Legal consequences and potential maximum penalties on our Group

Remedial measures taken/to be taken

Given that (i) we have already rectified the situation by terminating the Labour Dispatch Agreement then in force and entered into the Labour Outsourcing Agreements; (ii) each of Guangzhou Botny and Guangzhou Euro Asia had not received any notice of rectification from the relevant labour administrative departments; and (iii) each of Guangzhou Botny and Guangzhou Euro Asia had obtained the compliance certificates issued by relevant department in charge of labour affairs (which, as advised by our PRC Legal Advisers, is the competent authority in connection with the issuance of such compliance certificates), confirming that no records of any violation of labour laws and regulations were found during the Track Record Period, our PRC Legal Advisers are of the opinion that Guangzhou Botny and Guangzhou Euro Asia being penalised by the relevant labour administrative departments resulting from the fact that their respective number of dispatched staff having exceeded 10% of the total number of workers during the Track Record Period is low.

Our Controlling Shareholders have agreed to indemnify our Group against any actions, claims, losses, payments, settlement payments, penalties, damages, costs, charges or expenses that may be suffered or incurred by our Group in respect of or arising directly or indirectly from the dispatched staff non-compliance.

INTERNAL CONTROL MEASURES TO PREVENT FUTURE NON-COMPLIANCE AND IMPROVE CORPORATE GOVERNANCE

In order to maintain an effective internal control system, we engaged an independent internal control consultant (the “**Internal Control Consultant**”) in January 2018 to perform an internal control review and a subsequent follow-up review of our Group’s internal control system, covering areas such as corporate governance, operations, management, human resources and finance.

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Based on the Internal Control Consultant's review and recommendations, our Group has adopted measures and policies to improve our internal control systems, to prevent incidents of non-compliance and to ensure our compliance with the Listing Rules and relevant regulatory requirements (including corporate governance policies and compliance). After the Internal Control Consultant performed their follow-up review which was completed in August 2018, they did not identify any material deficiencies in our internal control system. All the remedial measures to rectify any previous non-compliance of our Group and any deficiency in our internal control system have been or will be fully implemented by us before the Listing.

We have taken additional internal control measures to improve our corporate governance and internal controls to ensure on-going compliance with applicable laws and regulations. Our Group has adopted or intends to adopt the following measures:

- (i) our Directors attended training sessions conducted by our Company's Hong Kong legal advisers on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
- (ii) our Company has appointed Mr. Lee Kam Fai as our company secretary. Mr. Lee Kam Fai will act as the principal channel of communication between our Group and our Board in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinator to oversee the internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our company secretary will look into the matter and, if considered appropriate, seek advice, guidance and recommendations from professional advisers before reporting to relevant members of our Group and/or our Board. Details of Mr. Lee Kam Fai's qualifications and experience are set out in the section headed "Directors, senior management and employees" in this listing document;
- (iii) our Company has appointed China Tonghai Capital Limited as our compliance adviser to advise our Group on compliance matters upon Listing in accordance with Rule 3A.19 of the Listing Rules;
- (iv) our Group will establish the Audit Committee with written terms of reference in accordance with Appendix 14 to the Listing Rules to review the internal control system and procedures for compliance with the requirements of the Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations; and
- (v) our Company proposes to appoint an internal control consultant or employ an internal auditor to provide advice and review our internal control system regarding internal control matters on a regular basis after Listing.

With the assistance of our compliance adviser, the internal control consultant and our company secretary, we aim to ensure that our Group's operations are in compliance with the applicable laws, rules and regulations with respect to our business operations primarily in the PRC. The internal control consultant will conduct regular internal control reviews on our operations and recommend remedial plans to our Audit Committee, which will then advise our Board on the implementation of any remedial plans should there be any material internal control deficiencies. Our Board will make

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final decisions on the implementation of the remedial plans. To ensure all the remedial plans are implemented, the internal control consultant will follow up and monitor the implementation and report to the Audit Committee about the progress and results of the remedial plans. Any material internal control failure, weaknesses or deficiencies identified during the review process and the relevant follow up or remedial measures (if applicable) taken by our Group will be disclosed in our annual report after the Listing.

Views of our Directors and the Sole Sponsor

Our Directors are of the view that (i) the abovementioned non-compliance incidents are not related to the character of our Directors and do not raise any serious concern on the integrity of them as such incidents did not involve any fraudulent or dishonest acts by our Directors; and (ii) we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations.

Our Directors are satisfied and the Sole Sponsor concurs that having considered our Group's internal control measures to avoid recurrence of the non-compliance incidents, and the preventive measures disclosed in this listing document, we have adequate and effective internal control procedures in place and the non-compliances incidents described above would not affect the suitability of our Directors and the suitability for listing of our Company under the Listing Rules on the following basis:

- (i) we have taken steps to improve our internal control and corporate governance system as referred to above;
- (ii) the non-compliance incidents are not expected to have any material adverse impact on us and our Directors as each of our Controlling Shareholders has given us an indemnity in favour of our Group against any actions, claims, losses, payments, charges, settlement payment, costs, penalties, damages or expenses which any or all of the member of our Group may incur or suffer as a result of or in connection with any failure by any or all of the member of our Group to comply with relevant laws and regulations upon or before the Listing Date;
- (iii) as a result of the occurrence of the abovementioned non-compliance incidents, our Directors confirm that they are alert to any issues that might result in any non-compliance and that there are measures in place for preventing recurrence of non-compliance as disclosed above and consider such measures to be adequate and effective; and
- (iv) our Directors are aware of their responsibilities and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant laws, rules and regulations.

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BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we made sales of our aerosol and non-aerosol products to certain customers located in Countries subject to International Sanctions, including Afghanistan, Lebanon, Russia, Iran, Iraq, Yemen and Haiti. We also had a transaction with a Sudanese customer in April 2014. Iran is subject to OFAC's comprehensive sanctions program under the Iranian Transactions and Sanctions Regulations. Sudan was also subject to comprehensive sanctions until 12 October 2017. During the Track Record Period, our revenue derived from sales to these customers amounted to approximately HK\$5.2 million, HK\$4.9 million and HK\$2.1 million, representing approximately 1.0%, 0.9% and 0.3% of our total revenue for the three years ended 31 December 2018, respectively.

As noted under the section headed "Business — Business activities in Countries subject to International Sanctions — Sanctions risk — U.S." in this listing document, between 2013 to 2018, we received indirectly twelve (12) payments and two (2) payments in U.S. dollars from two customers in Iran and a customer in Sudan, respectively, that may have violated International Sanctions. However, as advised by our International Sanctions Legal Advisers, we have disclosed these transactions to OFAC in our VSD filing, and believe that no material adverse effect on our financial condition will result from these potential violations. Subject to the results of our VSD filing, our sales to customers in Countries subject to International Sanctions during the Track Record Period do not implicate restrictions under International Sanctions. Further, given the scope of our Spin-off, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Spin-off will not implicate any applicable International Sanctions on such parties, including our Company, our investors and shareholders, the Stock Exchange and its Listing Committee and group companies, or any person involved in the Spin-off and accordingly, the sanction risk exposure to our Company, investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Shares (including the Stock Exchange, its Listing Committee and related group companies) is very low.

OFAC is currently reviewing our VSD. As at the Latest Practicable Date, our Directors confirm that we have not been notified that any International Sanctions penalties will be imposed on us for our sales and/or deliveries to Countries subject to International Sanctions. Furthermore, none of the counterparties involved in our sales to Countries subject to International Sanctions are specifically identified on the SDN List or other restricted parties lists maintained by the European Union, the United Nations and Australia and therefore would not be deemed as sanctioned targets. Finally, such sales do not involve industries or sectors that were subject to International Sanctions at the time they occurred and therefore are not deemed to be prohibited activities under the relevant International Sanctions laws and regulations.

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Sanctions risk

The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries. For a summary of the sanctions regimes imposed by the U.S., the European Union, the United Nations and Australian, please refer to the section headed “Regulatory overview — Sanctions laws and regulations” in this listing document.

U.S.

Between 2013 and 2018, we had (i) twelve (12) U.S. dollar payments in an aggregate amount of approximately US\$349,194 received relating to our goods sold and delivered to Iran; and (ii) two (2) U.S. dollar payments in an aggregate amount of approximately US\$36,877 received relating to our goods sold and delivered to Sudan, which appeared to be potential violations of U.S. sanctions regulations relating to Iran and Sudan. We received these U.S. dollar payments from third party intermediaries who made payments on behalf of these customers with respect to the goods delivered to Iran and Sudan, respectively, which were processed in the U.S. financial system before receipt by our Group. Upon the advice of our International Sanctions Legal Advisers, in September 2018, we submitted a VSD to OFAC to address our potential violations, given that the U.S. financial system cannot process Iran and Sudan-related payments denominated in U.S. Dollars without prior authorisation by OFAC. Our Directors confirm that these USD-denominated payments did not involve any international wrongdoing but rather were due to a lack of awareness of the applicability of U.S. sanctions to USD payments. To be certain that all of our Group’s issues under International Sanctions law had been identified and addressed in the VSD filing, and that no other International Sanctions law or regulations had been implicated by our operations, our International Sanctions Legal Advisers performed the following procedures on our sales to the Countries subject to International Sanctions during the Track Record Period: (i) reviewed our documents that evidence the sale of our products to Countries subject to International Sanctions during the Track Record Period; (ii) reviewed our list of customers to whom such sales of products to Countries subject to International Sanctions have been made during the Track Record Period against the lists of Sanctioned Persons, and confirmed that none of our customers are on such lists. Our Directors confirm that neither our Group nor any of our affiliates conducted any business dealings in or with any other countries or persons that are the subject of International Sanctions during the Track Record Period except for the sales for which all documentation had been provided to our International Sanctions Legal Advisers.

OFAC is currently reviewing our VSD, and we have not received responses from OFAC as to its rulings or applicable penalty. Our International Sanctions Legal Advisers are working actively to make sure that OFAC has all the required information to resolve this issue. Our International Sanctions Legal Adviser have advised us that, based on their experience in working with companies presenting similar facts before OFAC, that there are a few limited potential outcomes from our VSD submission. First, the most likely result of the VSD will be a cautionary letter issued by OFAC to close out the case without the imposition of any penalty. In the second and less likely outcome, we could be required to pay an administrative penalty for these transactions. The potential penalties for violations of the U.S. sanctions regulations in this case include a monetary fine of up to approximately US\$193,036 based on the relevant enforcement guidelines and the payments identified by the

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Company as possibly being processed through the U.S. financial system, although any such amount likely would be further reduced by OFAC during the negotiated settlement process by taking into account mitigating factors and the most likely amount would range from approximately US\$19,304 to US\$135,125 after mitigation. Based on the value of the fourteen (14) payments that may have been processed through the U.S. financial system, and our discussions with our International Sanctions Legal Advisers, our Directors are of the view that the maximum administrative penalty that we could be required to pay would not have a material adverse effect on our financial condition or results of operations. As advised by our International Sanctions Legal Advisers, our business dealings with customers in Countries subject to International Sanctions other than Iran and Sudan, including Afghanistan, Lebanon, Russia, Iraq, Yemen and Haiti do not appear to be inconsistent with the applicable U.S. sanctions or U.S. export control laws, given that (i) we have not undertaken, either directly or indirectly, a contract or any other activity with a counterparty, nor have otherwise provided goods or services to any person, in Cuba, North Korea, Syria or the Crimea region of Ukraine/Russia (these countries or territories are currently subject to comprehensive U.S. sanctions) or with or to any individuals, entities or organisations that have been designated on the SDN List during the Track Record Period; (ii) no services have been exported, directly or indirectly, to any persons or entities identified on The U.S. Department of Commerce, Bureau of Industry and Security List; and (iii) our business activities in Afghanistan, Lebanon, Russia, Iraq, Yemen and Haiti are limited to the sale of aerosol and non-aerosol products which U.S. extraterritorial sanctions and U.S. export control laws do not appear to have been implicated.

United Nations

On the basis that the counterparties identified as being located in Countries subject to International Sanctions are not specifically designated under any existing United Nations sanctions regime, and our Group's dealings in the Countries subject to International Sanctions relate solely to the sales of aerosol and non-aerosol products, upon the advice of our International Sanctions Legal Advisers, our business dealings do not appear to implicate restrictive measures adopted by the United Nations.

European Union

Upon the advice of our International Sanctions Legal Advisers, our business dealings with respect to the identified customers in Afghanistan, Lebanon, Russia, Iran, Iraq, Sudan, Yemen and Haiti do not trigger the prohibitions or wider restrictions adopted by the European Union, including those extended to the United Kingdom ("UK") overseas territories, since such business activities were not undertaken by European Union or UK overseas territories persons or entities and are limited to the supply of aerosol and non-aerosol products which are not export-controlled in the European Union or UK Overseas Territories or involved in the export from the European Union or UK Overseas Territories of certain listed military or items that are normally used for civilian purposes but may have military applications.

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Australia

Upon the advice of our International Sanctions Legal Advisers, on the basis that neither our Company nor any of our subsidiaries are connected to Australia in ways mentioned above and our dealings do not appear to involve products or services that are restricted under Australian export controls, our activities do not implicate the prohibitions or wider restrictions under International Sanctions measures administered and enforced by the Government of Australia.

Our undertakings and internal control procedures

We have ceased all transactions with customers in Iran. We shall cease our sales to Countries subject to International Sanctions or with Sanctioned Persons prior to the Listing.

We have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group enter into relating to Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

We have adopted enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders from economic sanctions risks. The following measures have been implemented as at the Latest Practicable Date:

- to further enhance our existing internal risk management functions, our Board will monitor our exposure to sanctions risks and our implementation of the related internal control procedures;
- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons. According to our internal control procedures, our Board needs to review and approve all relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, our Board will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. Our Board will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person

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located in Countries subject to International Sanctions or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;

- our Board will periodically review our internal control policies and procedures with respect to sanctions matters. As and when our Board considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and
- if necessary, external international legal counsel will provide training programs relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for our Company to comply with our undertaking to the Stock Exchange.

Having taken the above advice of our International Sanctions Legal Advisers into account, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. Having considered the advice of our International Sanctions Legal Advisers, and subject to the full implementation and enforcement of such measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to sanction laws.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any actual or pending legal, arbitration, administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse impact on our business, results of operations, financial condition or reputation. We have put in place internal control system and procedures to ensure our continuous regulatory compliance. However, we may from time to time become a party to legal, arbitration, administrative proceedings arising in the ordinary course of our business.

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INTERNAL CONTROL AND RISK MANAGEMENT

The primary risks we face are operational risks, credit risks and market risks (including interest rate risk and foreign exchange risk).

Operational risks

We set out below our major operational risks:

Cooperation with third-party distributors

We sell and distribute many of our OBM products through third-party distributors. However, the effectiveness of our distributors in selling and distributing our OBM products may be affected by a number of factors, including the following factors:

1. how our distributors maintain relationships with their sub-distributors and other wholesalers and retailers;
2. our distributors' strategies in promoting our OBM products; and
3. our distributors' own financial performance.

We have established internal control procedures for mitigating this operational risk. Please refer to the sections headed "Business — Our customers — Our OBM customers — (1) Distributors — (i) Contractual distributors — Management of contractual distributors" and "Our customers — Our OBM customers — (1) Distributors — (ii) Non-contractual distributors — Management of non-contractual distributors" in this listing document for more details on our distributor management.

Independence of our distributors

Certain employees of our Group were identified to have served as distributors of our OBM products during the Track Record Period. Please refer to the section headed "Business — Our customers — Our OBM customers — (1) Distributors — Independence of distributors" in this listing document for more details. To mitigate the risk of any potential conflict of interests that may arise in such connection, we have established the following additional internal control measures to ensure the independence of our distributors:

1. we will request each newly recruited employee to sign a form of declaration of interests confirming that he/she does not and will not have any vested interests in, or any other interests associated with, our Group; and

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2. our sales department will, on an annual basis, compile a list of our distributors (both contractual and non-contractual) based on our internal sales records of the relevant financial year, and provide the same to our human resources and administrative department, which in turn will conduct background searches on our distributors (both contractual and non-contractual) on a sampling basis to ascertain their identities (for sampled distributors being an entity, to ascertain the identities of its beneficial owner(s), director(s) and legal representative(s)). We will then compare such findings with our staff list to ensure that, during the relevant financial year, our employees have not, either in his/her personal capacity or through entities controlled by him/her, engaged in any business collaboration with our Group. Written records of the same will be retained for documentation purpose.

Potential product liability claims

We face an inherent risk of exposure to product liability claims in the event that the use of our products results in health or safety issues or damages. The end-consumers of our products may have the right to bring an action under tort and we may also be subject to tortious liabilities for any damages caused by defects of our products.

We have established internal procedures to ensure the quality of our services and our compliance with the relevant laws and regulations. Please refer to the section headed “Business — Quality assurance” in this listing document for more details on our quality control measures for the mitigation of the risk identified above.

Compliance with health, safety and environmental laws

Our operations are subject to the PRC’s health, safety and environmental laws, rules and regulations. Any violation of the applicable health, safety and environmental laws, rules or regulations may result in orders of corrections, fines, shutdown of production and obligation to take corrective measures or even criminal sanction.

We have a safety team which is responsible for establishing occupational health and production safety procedures. We also have an established procedure for the management and disposal of wastes and hazardous materials.

Credit risks

We trade only with recognised and creditworthy third parties. It is our 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 our exposure to bad debts is not significant.

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Market risks

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our long term debt obligations with floating interest rates. We review interest rate risk regularly and monitor closely the fluctuation of interest rates and will make proper adjustments if necessary.

Foreign exchange risk

RMB is the functional currency used by our principal subsidiaries in the PRC for recording transaction. Export sales during the Track Record Period were mainly recorded in USD. We used derivative financial instruments such as forward contracts to hedge our foreign currency exposure in 2015. We did not enter into any hedging contracts for the three years ended 31 December 2018. We monitor the daily movement of RMB against USD.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

Prior to the Listing Date, we have entered into certain transactions with parties who will, upon the Listing, become connected persons of our Company. Following completion of the Listing, there will be four continuing connected transactions of our Company under the Listing Rules. Details of these transactions as well as the waiver granted by the Stock Exchange from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out below.

Wellmass is one of our Controlling Shareholders and China Aluminum Cans is a company controlled by Wellmass, therefore Wellmass, China Aluminum Cans and their respective subsidiaries and close associates (other than our Group) are connected persons of our Company. Accordingly, the transactions we have entered into or will enter into with the Remaining China Aluminum Cans Group will constitute connected transactions for our Group.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(A) HK Tenancy Agreement

On 27 May 2019, a tenancy agreement (the “**HK Tenancy Agreement**”) was entered into between Mr. Lin (as landlord), our Company (for itself and on behalf of its subsidiaries) and Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies), a wholly-owned subsidiary of China Aluminum Cans (collectively, as tenants) in respect of the premises situated at Office Unit G, 20th Floor, Golden Sun Centre, Nos. 59/67 Bonham Strand West, Hong Kong (the “**HK Premises**”), with a gross floor area of approximately 40.41 sq.m. (the “**Gross Floor Area**”). Each of our Company and Hong Kong Aluminum Cans shall take approximately 20.205 sq.m. (representing approximately 50% of the Gross Floor Area). Since Mr. Lin is one of our Controlling Shareholders, the spouse of Mrs. Lin and the father of Ms. Flora Lin and Mr. Alex Lin and thus, a connected person of our Company, the entering into of the HK Tenancy Agreement constitutes a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

The HK Premises is leased for the period commencing from the Listing Date and ending on 31 December 2021 (both days inclusive) at a monthly rental of HK\$10,875 (exclusive of rates, government rents, management fees and other utilities outgoings which are payable by the tenants), which shall be paid by our Company and Hong Kong Aluminum Cans in equal share. The monthly rental is payable in advance on the first day of each and every successive calendar month. Under the HK Tenancy Agreement, an aggregate deposit of HK\$21,750 is required to be paid by the tenants to the landlord in equal share. The tenants agree that the rental, rates, government rents, management fees and other utilities outgoings shall be apportioned with reference to the actual area occupied by each tenant.

The monthly rental was determined after arm’s length negotiations between the parties by making reference to the prevailing market rates of similar properties in the vicinity, which are in the range of HK\$24 per square feet and HK\$26 per square feet. Our Directors (including the independent non-executive Directors) confirm that the monthly rental under the HK Tenancy Agreement is consistent with the prevailing market rates of similar properties in the vicinity and is therefore fair and reasonable.

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) rented from Mr. Lin in respect of the HK Premises. The historical rental paid by Hong Kong Aluminum Cans to Mr. Lin was HK\$96,000 for each of the three years ended 31 December 2018.

As the relevant applicable percentage ratios with respect to the transactions contemplated under the HK Tenancy Agreement on an annual basis are less than 5% and the annual consideration is less than HK\$3 million, the entering into of the HK Tenancy Agreement constitutes an exempt continuing connected transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) PRC Tenancy Agreement

On 27 May 2019, a tenancy agreement (the “**PRC Tenancy Agreement**”) was entered into between Guangzhou Shentian (as landlord) and Guangzhou Euro Asia (as tenant) in respect of a factory (the “**Factory**”) located at No.628 Jufeng North Road, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市從化區鰲頭鎮聚豐北路628號) with a gross floor area of approximately 1,500 sq.m. Since Guangzhou Euro Asia is owned as to 70% by China Medical Beauty and 30% by European Asia Industrial, which is wholly-owned by Mr. Lin (one of our Controlling Shareholders, the spouse of Mrs. Lin and the father of Ms. Flora Lin and Mr. Alex Lin) and thus Guangzhou Euro Asia is a connected subsidiary of our Group, the entering into of the PRC Tenancy Agreement constitutes a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

The Factory is leased for the period commencing from the Listing Date and ending on 31 December 2021 (both days inclusive) at a monthly rental of RMB18,000 (exclusive of other utilities outgoings which are payable by the tenants).

The monthly rental is payable in advance on the first day of each and every successive calendar month. Under the PRC Tenancy Agreement, an aggregate deposit of RMB72,000 is required to be paid by the tenant to the landlord.

The monthly rental was determined after arm's length negotiations between the parties by making reference to the prevailing market rates of similar properties in the vicinity. Our Directors (including the independent non-executive Directors) confirm that the monthly rental under the PRC Tenancy Agreement is consistent with the prevailing market rates of similar properties in the vicinity and is therefore fair and reasonable.

During the Track Record Period, Guangzhou Euro Asia rented from Guangzhou Shentian in respect of the Factory. Guangzhou Shentian has commenced to charge Guangzhou Euro Asia rental since 2017. For the three years ended 31 December 2018, the historical rental paid by Guangzhou Euro Asia to Guangzhou Shentian amounted to nil, HK\$224,000 and HK\$232,000, respectively.

CONTINUING CONNECTED TRANSACTIONS

As the relevant applicable percentage ratios with respect to the transactions contemplated under the PRC Tenancy Agreement on an annual basis are less than 5% and the annual consideration is less than HK\$3 million, the entering into of the PRC Tenancy Agreement constitutes an exempt continuing connected transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(C) Trademark Licence Agreement

On 27 May 2019, Guangzhou Botny (for itself and on behalf of its subsidiaries and holding companies) (as licensee) and China Motor Management Services Limited ("**China Motor**") (as licensor), a company indirectly wholly-owned by Mr. Lin, entered into a trademark licence agreement (the "**Trademark Licence Agreement**"), pursuant to which China Motor agreed to grant to Guangzhou Botny a non-exclusive licence to use certain trademarks (the "**Licenced Trademarks**") owned by China Motor in relation to our FOX-D (狐狸) and WIN (勝彩) brands in the PRC for a term of three years commencing from the Listing Date on a royalty-free basis.

Our Group has been using the Licenced Trademarks in connection with our business conducted over the years. As such, in order to maintain the consistency of our market image, we will continue to use the Licenced Trademarks after Listing. On 3 October 2014, our Group entered into a trademark licence agreement with China Motor, pursuant to which China Motor agreed to grant to Guangzhou Botny an exclusive license to use the Licenced Trademarks for the period from 20 May 2015 to 31 December 2016. No trademark licence agreement was entered into between our Group and China Motor after 2016. For the three years ended 31 December 2018, the historical royalty fee paid by our Group to China Motor amounted to HK\$339,000, nil and nil, respectively. As waived by China Motor, no royalty fee was paid by our Group to China Motor for the year ended 31 December 2015. The royalty fee was determined after arm's length negotiations between Guangzhou Botny and China Motor after taking into account the brand awareness and profitability of the Licensed Trademarks.

As China Motor is indirectly wholly-owned by Mr. Lin, who is one of our Controlling Shareholders, the spouse of Mrs. Lin and the father of Ms. Flora Lin and Mr. Alex Lin and thus, a connected person of our Company, the entering into of the Trademark Licence Agreement constitutes a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

As there is no royalty fee payable by us in respect of the Trademark Licence Agreement, the transactions contemplated thereunder constitute *de minimis* continuing connected transactions which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Master Supply Agreement

During the Track Record Period, our Group sourced and purchased certain monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group. For the three years ended 31 December 2018, our Group's purchases of monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group amounted to approximately HK\$15.3 million, HK\$19.4 million and HK\$27.2 million, respectively. The increase in our Group's purchase amount was in general in line with the growth in sales of our personal care products during the Track Record Period.

On 17 April 2019, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and our Company (for itself and on behalf of its subsidiaries) entered into the Master Supply Agreement (as amended and supplemented by a supplemental agreement dated 7 May 2019) pursuant to which our Group agreed to purchase from the Remaining China Aluminum Cans Group certain monobloc aluminum aerosol cans. The parties agreed to enter into separate purchase orders in respect of each purchase of monobloc aluminum aerosol cans to specify the details of each purchase including but not limited to the types and/or specifications of the products, purchase prices, payment terms, quantity, date and mode of delivery and other relevant terms in relation to that purchase. The terms of the relevant purchase orders shall be consistent with the terms under the Master Supply Agreement and shall be consistent with the principles of the Master Supply Agreement.

The Master Supply Agreement is conditional upon (i) the commencement of dealings in our Shares on the Stock Exchange; and (ii) the approval from the independent shareholders of China Aluminum Cans having been obtained in accordance with the Listing Rules in respect of the Master Supply Agreement and the transactions contemplated thereunder (where relevant).

The terms of the Master Supply Agreement shall commence from the date immediately after the fulfilment of the aforesaid conditions (the “**Commencement Date**”) until 31 December 2021 (both days inclusive) provided that either party has a right to terminate the agreement by giving the other party a 30-day prior written notice.

The purchase price of each and every purchase shall be separately determined on order-by-order basis by the parties in accordance with the following principles: (i) the purchase price shall be agreed at arm's length basis on normal commercial terms and shall be fair and reasonable; (ii) the purchase price (before taking into account the standardised adjustments to be adopted by the Remaining China Aluminum Cans Group based on order quantities, product specifications and delivery plans (the “**Standardised Adjustments**”)) to be paid by our Group to the Remaining China Aluminum Cans Group shall be the same as the purchase prices to be paid by other independent customers to the Remaining China Aluminum Cans Group; and (iii) the purchase price shall be at the prevailing market price.

CONTINUING CONNECTED TRANSACTIONS

In order to ensure our future purchase prices are fair and reasonable, our Group will solicit at least one other independent company's quotation in relation to its purchase of the same type of monobloc aluminum aerosol cans of comparable nature provided by the Remaining China Aluminum Cans Group where necessary so as to know the prevailing market rate. Where no such quotation is available, our Group will request the Remaining China Aluminum Cans Group to provide us with its quotation provided to its other independent customers in relation to the same type of monobloc aluminum aerosol cans. The monobloc aluminum aerosol cans, upon completion of the content filling, shall be sold with reference to the cost-plus basis with mark-up margin. Our Board shall also review the pricing policy and the reasonableness and fairness of our purchase prices on regular basis. Our Directors (including the independent non-executive Directors) consider that the above procedures are adequate and can ensure that the transactions under the Master Supply Agreement shall be conducted on normal commercial terms and not prejudicial to the interests of our Company and our Shareholders as a whole after Listing.

It is expected that the annual caps of the Master Supply Agreement (the “**Annual Caps**”) during the period from the Commencement Date to 31 December 2019 and for the two years ending 31 December 2021 are HK\$25.1 million, HK\$39.2 million and HK\$47.0 million respectively, which are estimated with reference to a CAGR of approximately 20.0% in the transaction amounts from the year ended 31 December 2018 to the year ending 31 December 2021 after taking into account, among other things, our Group's historical purchase amounts of monobloc aluminum aerosol cans and our Group's anticipated demand for the products over the next three years, which is lower than the actual CAGR of approximately 33.3% from the year ended 31 December 2016 to the year ended 31 December 2018 (for the avoidance of doubt, our Company has not taken into account the historical transaction amount for the period from January 2019 to March 2019 in determining the proposed annual caps). The annual cap for the period from the Commencement Date to 31 December 2019 has been apportioned by eight months with reference to our Group's historical purchase of the monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group for the period from 1 May 2018 to 31 December 2018 which amounted to approximately HK\$20.9 million. The purpose of the apportionment was to replicate the seasonality of product purchase for the period from 1 May 2018 to 31 December 2018 to the period from the Commencement Date to 31 December 2019.

Since Hong Kong Aluminum Cans is wholly-owned by China Aluminum Cans, Hong Kong Aluminum Cans is a connected person of our Company and thus, the transactions contemplated under the Master Supply Agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. The applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Master Supply Agreement, on an annual basis, exceed 5% and HK\$10 million. Therefore, the transactions contemplated under the Master Supply Agreement shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Application

Given the recurring nature, our Directors consider that compliance with the announcement and independent shareholders' approval requirements pursuant to the Master Supply Agreement would be unduly burdensome, impractical and would add significant unnecessary administrative costs to our

CONTINUING CONNECTED TRANSACTIONS

Company. We, pursuant to Rule 14A.105 of the Listing Rules, have applied for, and the Stock Exchange has granted to our Company, a waiver with respect to the continuing connected transactions contemplated under the Master Supply Agreement from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective Annual Caps.

Apart from the requirements with which strict compliance has been waived by the Stock Exchange as described above, we will comply with the relevant requirements under Chapter 14A of the Listing Rules that are applicable to the continuing connected transactions under the Master Supply Agreement.

The independent non-executive Directors will review the continuing connected transactions under the Master Supply Agreement and confirm in the annual reports of our Company that such transactions for the financial year under review have been entered into in the manner as set out in Rule 14A.55 of the Listing Rules.

Directors' view

Our Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions under the Master Supply Agreement have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, are fair and reasonable, and are in the interests of our Group and our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are also of the view that the proposed Annual Caps are fair and reasonable, and in the interests of our Group and our Shareholders as a whole.

Sole Sponsor's view

Based on the information provided by us and participation in the due diligence and discussion with us, including but not limited to (i) the review of the Master Supply Agreement; and (ii) the review of the documentation provided by us with respect to our continuing connected transactions under the Master Supply Agreement, such as the quotations from independent third party suppliers for comparable goods and the quotations provided by the Remaining China Aluminum Cans Group to independent third party customers, the Sole Sponsor believes that the aforesaid non-exempt continuing connected transactions under the Master Supply Agreement have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms which are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and the proposed Annual Caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

The following table sets forth certain information regarding our Directors:

Name	Age	Present position(s) in our Company	Date of appointment	Date of joining our Group	Brief description of roles and responsibilities	Relationship among Directors
Executive Directors						
Ms. Ko Sau Mee (高秀媚)	53	Executive Director and Chairman and chief executive officer	4 May 2018	30 August 2000	Responsible for formulating business strategies and planning the business development of our Group	Mother of Mr. Lin Hing Lung and Ms. Lin Hing Lei
Ms. Lin Hing Lei (連馨莉)	28	Executive Director and head of procurement department	4 May 2018	1 August 2012	Responsible for overseeing the procurement, administration and human resources management of our Group	Daughter of Ms. Ko Sau Mee and sister of Mr. Lin Hing Lung
Mr. Yang Xiaoye (楊小業)	50	Executive Director and head of safety department and quality control and technical supervision department	2 May 2019	5 September 2000	Responsible for overseeing the quality checking and research and development of our Group	None
Mr. Lin Hing Lung (連興隆)	25	Executive Director and head of sales and marketing department	4 May 2018	1 August 2014	Responsible for the sales and marketing for the PRC and overseas markets of our Group	Son of Ms. Ko Sau Mee and brother of Ms. Lin Hing Lei
Independent Non-executive Directors						
Mr. Lee Yiu Pui (李耀培)	66	Independent Non-executive Director	27 May 2019	27 May 2019	Providing independent advice to our Board	None
Mr. Poon Tak Ching (潘德政)	37	Independent Non-executive Director	27 May 2019	27 May 2019	Providing independent advice to our Board	None
Mr. Pang Cheung Wai Thomas (彭長緯)	65	Independent Non-executive Director	27 May 2019	27 May 2019	Providing independent advice to our Board	None

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Ms. Ko Sau Mee (高秀媚), aged 53, is the spouse of Mr. Lin and the mother of Ms. Flora Lin and Mr. Alex Lin. She is an executive Director, our Chairman and the chief executive officer of our Company. Mrs. Lin joined our Group in August 2000. She is responsible for formulating business strategies and planning the business development of our Group.

In August 2000, Mrs. Lin together with Mr. Lin established Guangzhou Botny to engage in the design, development, manufacture and sale of aerosol and non-aerosol products mainly for automotive beauty and maintenance products and has served as a director of Guangzhou Botny since then. Subsequently, she co-founded Euro Asia Packaging (a subsidiary of China Aluminum Cans) with Mr. Lin in June 2002 which is engaged in the manufacture and sale of aluminum aerosol cans. Mrs. Lin was appointed as a director of Euro Asia Packaging in June 2002. Mrs. Lin was an executive director of China Aluminum Cans during the period from March 2013 to May 2019 and was responsible for formulating corporate strategies and overseeing the overall business of China Aluminum Cans Group. Mrs. Lin resigned as a director of Euro Asia Packaging with effect from 12 April 2019 and an executive director of China Aluminum Cans with effect from 29 May 2019.

She has been a director of Guangzhou Botny since August 2000, a supervisor of Guangzhou Euro Asia since January 2018, and a director of Botny HK, China Medical Beauty, Topspan and Super Sight since May 2019.

Mrs. Lin was a director of the following companies incorporated in Hong Kong prior to their respective dissolution by deregistration with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
R.J. London Chemical (H.K.) Limited	Trading	16 April 2010 (<i>Note 1</i>)
Gold Max Asia Pacific Limited	Never commenced any business	17 September 2010 (<i>Note 2</i>)

Notes:

1. As confirmed by Mrs. Lin, R.J. London Chemical (H.K.) Limited was dissolved voluntarily in view that it was no longer profitable.
2. As confirmed by Mrs. Lin, Gold Max Asia Pacific Limited was dissolved voluntarily as it had been dormant and had not commenced any operation since its incorporation.

Mrs. Lin confirmed that the above two companies were solvent immediately prior to their dissolution and that there was no wrongful act on her part leading to the dissolution of the said companies by deregistration and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution of the said companies.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate Chairman and chief executive officer and Mrs. Lin currently performs these two roles.

In view of Mrs. Lin is one of the co-founders of our Group and has been operating and managing our Group since 2000, our Board believes that vesting the roles of both Chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Company and enables more effective and efficient overall strategic planning for our Company. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively, given that (i) any decision to be made by our Board requires approval by at least a majority of our Directors and as our Board comprises three independent non-executive Directors out of seven Directors, we believe there is sufficient check and balance in our Board; (ii) Mrs. Lin and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that she acts for the benefit and in the best interests of our Company and Shareholders and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial and operational decisions of our Group are made collectively after thorough discussion at both our Board and senior management levels. Our Board will continue to review and consider separating the roles of Chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Company as a whole.

Save as disclosed above, our Company complies with the Corporate Governance Code. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code in each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual report upon Listing.

Ms. Lin Hing Lei (連馨莉), aged 28, is the daughter of Mr. Lin and Mrs. Lin and the sister of Mr. Alex Lin. She is an executive Director of our Company and the head of procurement department of our Group. She is responsible for overseeing the procurement, administration and human resources management of our Group. Ms. Flora Lin joined our Group in August 2012. She has over six years of experience in the content filling of aerosol cans and non-aerosol cans and the design, development, manufacture and sale of aerosol and non-aerosol products.

Ms. Flora Lin obtained her bachelor’s degree in Arts (Business and Management with proficiency in Mandarin Chinese) from the University of Exeter in the United Kingdom in July 2012. Ms. Flora Lin was appointed as a council member of the council committee of Guangdong Cosmetics Association* (廣東省化妝品學會) for the period from December 2016 and November 2020.

Ms. Flora Lin has become a director of Guangzhou Botny since November 2013, a director and legal representative of Guangzhou Shentian since May 2014, and a director of Guangzhou Euro Asia since January 2018. Ms. Flora Lin resigned as a supervisor of Euro Asia Packaging (a subsidiary of China Aluminum Cans) with effect from 12 April 2019.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Flora Lin, is the sole shareholder and a director of Po Lee Capital Limited and Po Lee Finance Limited and a representative of Po Lee Securities Limited. Po Lee Capital Limited is an investment holding company of Po Lee Securities Limited, Po Lee Investment Consultant Limited and Po Lee Asset Management Limited. Po Lee Finance Limited is principally engaged in provision of money lending services. Po Lee Securities Limited is a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO. Po Lee Investment Consultant Limited is a corporation licensed to carry out type 4 (advising on securities) regulated activity under the SFO and Po Lee Asset Management Limited is a corporation licensed to carry out type 9 (asset management) regulated activity under the SFO.

Ms. Flora Lin was a sole proprietor or director or supervisor or legal representative of the following companies established in the PRC prior to their respective dissolution by deregistration with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Guangzhou Baiyun District Huangshi Yangchefang Auto Maintenance Centre* (廣州市白雲區黃石養車坊汽車養護中心)	Provision of motor maintenance and car care beauty services	24 October 2018 (<i>Note 1</i>)
Guangzhou Botny Automobile Service Management Limited* (廣州保賜利汽車服務管理有限公司)	Provision of motor maintenance and car care beauty services	18 October 2018 (<i>Note 2</i>)
Guangzhou Conghua Jiangpu Tuozechan Auto Maintenance Centre* (廣州市從化江埔拓展汽車養護中心)	Provision of motor maintenance and car care beauty services in the PRC	1 August 2018 (<i>Note 3</i>)
Guangzhou Chaoli	Investment holding	5 July 2016 (<i>Note 4</i>)

Notes:

1. As confirmed by Ms. Flora Lin, Guangzhou Baiyun District Huangshi Yangchefang Auto Maintenance Centre* (廣州市白雲區黃石養車坊汽車養護中心) was deregistered voluntarily in view that she would like to devote more time to our Group's business and her other personal commitments.
2. As confirmed by Ms. Flora Lin, Guangzhou Botny Automobile Service Management Limited* (廣州保賜利汽車服務管理有限公司) was deregistered voluntarily in view that she would like to devote more time to our Group's business and her other personal commitments.
3. As confirmed by Ms. Flora Lin, Guangzhou Conghua Jiangpu Tuozechan Auto Maintenance Centre* (廣州市從化江埔拓展汽車養護中心) was deregistered voluntarily in view that she would like to devote more time to our Group's business and her other personal commitments.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

4. Guangzhou Chaoli was deregistered as it had remained inactive since its establishment. For details, please refer to the section headed “History, reorganisation and corporate structure — Corporate history — Deregistration of Guangzhou Chaoli” in this listing document.

Ms. Flora Lin confirmed that the above four companies were solvent immediately prior to their dissolution and that there was no wrongful act on her part leading to the dissolution of the above companies by deregistration and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution of the above four companies.

Mr. Lin Hing Lung (連興隆), aged 25, is the son of Mr. Lin and Mrs. Lin and the brother of Ms. Flora Lin. He is an executive Director of our Company and head of sales and marketing department of our Group. He is responsible for the sales and marketing for the PRC and overseas markets of our Group. Mr. Alex Lin joined our Group in August 2014. He has over four years of experience in the content filling of aerosol cans and non-aerosol cans, and the design, development, manufacture and sale of aerosol and non-aerosol products.

Mr. Alex Lin obtained his bachelor’s degree in Arts (Marketing and Management) from the University of Newcastle in the United Kingdom in August 2014. He has been the director of the Aerosol Committee of China Packaging Federation* (中國包裝聯合會氣霧劑專業委員會) since October 2014, the vice president of Guangdong Chamber of Automotive Supplies* (廣東省汽車用品商會) since December 2015 and the vice president of Guangdong Association for Standardisation* (廣東省標準化協會) since December 2017.

Mr. Alex Lin had been an executive director since March 2016 and deputy managing director of China Aluminum Cans since December 2016 and was responsible for formulating business strategies and planning the business development of China Aluminum Cans Group. He resigned as an executive director and deputy managing director of China Aluminum Cans with effect from 29 May 2019.

He has been a director of Botny Automobile Service Chain Limited which is principally engaged in provision of motor maintenance in Hong Kong since August 2014. As confirmed by Mr. Alex Lin, Botny Automobile Service Chain Limited intends to proceed with the application for the dissolution by way of the deregistration. Mr. Alex Lin has confirmed that Botny Automobile Service Chain Limited is solvent as at the Latest Practicable Date and he is not aware of any actual or potential claim which has been or will be made against him as a result of the proposed deregistration. Since September 2016, Mr. Alex Lin has been a director of Hero Entertainment Co. Limited which is in the entertainment industry principally engaged in event management.

Mr. Alex Lin has been a director of Euro Asia Japan since January 2016, a director of Guangzhou Botny since September 2018 and a director of Botny since March 2019.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Alex Lin was an executive director and legal representative of the following company established in the PRC prior to its dissolution by deregistration with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Guangzhou Botny Automobile Service Management Limited* (廣州保賜利汽車服務管理有限公司)	Provision of motor maintenance and car care beauty services	18 October 2018 (<i>Note</i>)

Note: As confirmed by Mr. Alex Lin, Guangzhou Botny Automobile Service Management Limited* (廣州保賜利汽車服務管理有限公司) was deregistered voluntarily in view that he would like to devote more time to our Group's business and his other personal commitments.

Mr. Alex Lin confirmed that the above company was solvent immediately prior to its dissolution and that there was no wrongful act on his part leading to the dissolution of the above company by deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company.

Mr. Yang Xiaoye (楊小業), aged 50, is an executive director of our Company, the head of safety department and quality control and technical supervision department of our Group. Mr. Yang is responsible for overseeing the quality checking and research and development of our Group.

Mr. Yang joined our Group in September 2000 as the manager of quality control and technical supervision department of our Group and was subsequently promoted to be the vice general manager and head of safety department and quality control and technical supervision department of our Group in February 2015 and January 2018, respectively. Mr. Yang has over 18 years of experience in quality management and technical supervision in aerosol manufacturing and filling.

Mr. Yang obtained his bachelor's degree in Chemical Engineering from Hefei University of Technology* (合肥工業大學) in July 1990. Prior to joining our Group, Mr. Yang worked as an assistant engineer in State-owned Factory No. 804* (國營第804廠) operated by Norinco (中國兵器工業總公司, which is currently known as 中國北方工業公司) from October 1991 to September 1997 and his last position was engineer. From September 1997 to September 2000, he joined Chaoyang Ouya Aluminum Cans Company Limited* (潮陽市歐亞鋁罐工業有限公司), which is principally engaged in manufacture of aluminum cans, as a quality controller. Mr. Yang has been a certified safety engineer of the Ministry of Human Resources and Social Security of the People's Republic of China* (中華人民共和國人力資源和社會保障部) and the Ministry of Emergency Management of the People's Republic of China* (中華人民共和國應急管理部) since October 2018.

Mr. Yang has been the supervisor of Guangzhou Botny since September 2018.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-executive Directors

Mr. Lee Yiu Pui (李耀培), aged 66, is an independent non-executive Director of our Company and is responsible for providing independent advice to our Board. Mr. Lee has over 32 years of experience in corporate management.

Mr. Lee obtained his diploma in Business Management jointly organised by The Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and the Hong Kong Management Association in September 1991. He obtained his master's degree of Engineering Management from the University of Technology in Sydney in October 2003 and his doctor's degree of Philosophy in Business Administration from the International American University in December 2010.

Mr. Lee joined Guardforce Limited as a manager and was responsible for management of workshops and garages from August 1986 to August 1996 and his last position was senior manager. Mr. Lee worked as a director and general manager of Challenger Auto Services Limited and was responsible for management of workshops and garages from November 1996 to June 2008. From April 2007 to March 2013, Mr. Lee was appointed as the chairman of the Automobile Training Board at Vocational Training Council, Hong Kong. He worked as a management leader in HKS Auto Holdings Company Limited which was principally engaged in operation of fast repairing workshops from October 2008 to September 2015 and the convenor of Vehicle Maintenance Technical Advisory Committee of Electrical and Mechanical Services Limited from April 2012 to March 2018. Mr. Lee has been a director and a chairman of The Institute of The Motor Industry Hong Kong since August 1999, the managing director of Cartel Motors Limited since October 2015 and the chairman of the Automotive Industry Training Advisory Committee under the Education Bureau in Hong Kong since January 2017.

Mr. Lee was a director of the following company incorporated in Hong Kong prior to its dissolution by deregistration with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
HKAA Finance Limited (“HKAA”)	Never commenced any business	17 September 2004 (Note)

Note: As confirmed by Mr. Lee, HKAA was deregistered voluntarily as it had been dormant and had not commenced any operation since its incorporation.

Mr. Lee confirmed that the above company was solvent immediately prior to its dissolution and that there was no wrongful act on his part leading to the dissolution of the above company by deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Poon Tak Ching (潘德政), aged 37, is an independent non-executive Director of our Company and is responsible for providing independent advice to our Board. Mr. Poon has over 14 years of experience in the field of banking, accounting and corporate finance.

Mr. Poon obtained his Bachelor's degree in Business Administration from the Chinese University of Hong Kong in December 2004. He was admitted as a member of the Association of Chartered Certified Accountants in June 2016.

Mr. Poon worked in The Hongkong and Shanghai Banking Corporation Limited from July 2004 to July 2016 and his last position was senior vice president in commercial banking department. Mr. Poon was appointed as a director of CMB Corporate Services Limited which is principally engaged in provision of corporate services in April 2017. He joined CAS Financial Holdings Limited (formerly known as Ottoman Holdings Limited) which is licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities as a responsible officer since December 2016.

As at the Latest Practicable Date, Mr. Poon legally and beneficially held 1,474,000 China Aluminum Cans Shares. Assuming the total number of China Aluminum Cans Shares in issue and the number of China Aluminum Cans Shares held by Mr. Poon remain unchanged from the Latest Practicable Date to the Distribution Record Date, Mr. Poon shall be interested in 368,000 Shares, representing approximately 0.16% of the entire issued share capital of our Company, upon completion of the Spin-off.

Mr. Pang Cheung Wai Thomas (彭長緯), *SBS, JP*, aged 65, is an independent non-executive Director of our Company and is responsible for providing independent advice to our Board. Mr. Pang has 19 years of experience in public administration.

Mr. Pang completed a training programme in relation to Enterprise Training National Professional Certification* (企業培訓師國家職業資格認證) organised by The Open University of Guangdong* (廣東開放大學) (formerly known as Guangdong Radio and Television University* (廣東廣播電視大學)) in January 2005.

Mr. Pang is currently a vice chairman of Sha Tin District Council and a panel member of Municipal Services Appeals Board of Administration Wing, Chief Secretary for Administration's Office of Hong Kong.

Mr. Pang was awarded the Bronze Bauhinia Star in July 2008 and the Silver Bauhinia Star in July 2015.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Pang was a director of the following limited liability companies incorporated in Hong Kong or the PRC prior to their respective dissolution by deregistration with details as follows:-

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
King's Consultants Limited	Image consultation	29 February 2008 (Note)
Zhongcheng Car Renting (Shenzhen) Company Limited* (忠誠汽車租賃(深圳)有限公司)	Car rental services	5 July 2013 (Note)

Note: As confirmed by Mr. Pang, King's Consultants Limited and Zhongcheng Car Renting (Shenzhen) Company Limited* (忠誠汽車租賃(深圳)有限公司) were dissolved voluntarily as the directors would like to devote more time to their other business and personal commitments.

Mr. Pang confirmed that the above two companies were solvent immediately prior to their respective dissolution and that there was no wrongful act on his part leading to the dissolution of the above companies by deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above two companies.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed companies in the three years prior to the date of this listing document.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

The following table sets forth certain information regarding our senior management:

Name	Age	Present position(s) in our Group	Date of appointment as senior management	Date of joining our Group	Brief description of roles and responsibilities	Relationship among Directors and senior management
Mr. Zhang Zhiming (張志明)	41	Head of production department	1 February 2018	22 February 2002	Responsible for the overall management of the production of our Group	Not applicable
Ms. Liu Hua (劉花)	39	Senior sales manager	1 September 2016	2 August 2004	Responsible for the overall management of the sales and marketing of the PRC market of our Group	Not applicable
Ms. Zeng Caixia (曾彩霞)	33	Finance manager	19 September 2017	22 April 2008	Responsible for the overall management of the finance and accounting, taxation and treasury of our Group	Not applicable

Mr. Zhang Zhiming (張志明), aged 41, is the head of production department of our Group. He is responsible for the overall management of the production of our Group. He joined our Group in February 2002 as a leader of our colour mixing team. Subsequently, Mr. Zhang was further promoted to be the manager and head of production department of our Group in January 2015 and February 2018, respectively.

Mr. Zhang obtained the safety production training certificate in respect of manufacturing dangerous chemical products in June 2018. He is currently attending a bachelor's degree in Business Management in Beijing Institute of Technology* (北京理工大學) through distance learning on a part-time basis.

Ms. Liu Hua (劉花), aged 39, is the senior sales manager of our Group. She joined our Group in August 2004 as a customer service officer in August 2004 and was subsequently promoted to be the supervisor, manager and senior sales manager of our Group in February 2006, January 2009 and September 2016, respectively. As the senior sales manager, Ms. Liu is responsible for the overall management of the sales and marketing of the PRC market of our Group as well as liaising with clients in order to increase service standards. Her specific duties include, but not limited to, the management involved before and after sale as well as the administrative affairs of the domestic sales department. She organises training sessions for sales assistants and regulates the issuance and implementation of sales policies. She also supervises regional managers in achieving their sales objectives, and integrates feedback and information from the market such that existing mechanisms and service standards may be enhanced.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

She completed a pre-school education programme from Guangzhou Xinfu High Level Education School* (廣州市信孚高等師範學校) in July 1999.

Ms. Zeng Caixia (曾彩霞), aged 33, is the finance manager. She joined our Group in April 2008 as an accountant during which she has accumulated experiences in handling our Group's financial matters such as management of account receivables and payables and cost accounting. Ms. Zeng was subsequently promoted to be the finance manager in September 2017. As the finance manager, Ms. Zeng is responsible for the overall management of the finance and accounting, taxation and treasury of our Group and ensuring that the financial department of our Company functions properly. Her specific duties include, but not limited to, reviewing the salaries of employees and organising training sessions for staff. She is responsible for the department's strategic planning and budgeting. Furthermore, she reviews our Company's financial accounts, reports on our Company's tax payable, and assists our Company in applying for subsidies from the government.

Ms. Zeng obtained her college diploma in accounting from the Open University of China (國家開放大學) (formerly known as the China Central Radio and TV University (中央廣播電視大學) in January 2008. Ms. Zeng obtained her bachelor's degree in respect of accountancy from Guangdong University of Finance & Economics* (廣東財經大學) on a part-time basis in January 2019. She obtained her qualification as tax accountant* (稅務會計師) from the Centre of Education and Training of the Ministry of Human Resources and Social Security of the People's Republic of China* (中華人民共和國人力資源和社會保障部教育培訓中心) in January 2019.

Save as disclosed above, none of our senior management held any directorships in listed companies in the three years prior to the date of this listing document and none of our senior management has any relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date.

COMPANY SECRETARY

Mr. Lee Kam Fai (李錦輝), aged 33, is the company secretary of our Group. He is responsible for overseeing regulatory compliance and maintaining statutory records of our Group. He joined Botny as a financial controller in January 2017 and ceased to be the financial controller in August 2018.

Mr. Lee obtained his bachelor degree of Business Administration in Accounting and Finance from the Hong Kong Polytechnic University in October 2009. Mr. Lee is currently as a member of the Hong Kong Institute of Certified Public Accountants and became a member in March 2013.

Prior to joining our Group in January 2017, Mr. Lee worked in Ernst & Young as a staff accountant from November 2009 to December 2013 and his last position was a senior accountant with Assurance Department. From December 2013 to December 2015, Mr. Lee joined European Asia Industrial as a financial controller and he has been working as a chief financial officer of Hong Kong Aluminum Cans (a subsidiary of China Aluminum Cans) since January 2016.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company's corporate governance practice are based on principles and code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. Except for the deviation from code provision A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the code on corporate governance practices.

BOARD COMMITTEES

Audit committee

We have established an audit committee on 27 May 2019. On 27 May 2019, the audit committee approved the written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, which will come into effect upon the Listing. The audit committee consists of all the independent non-executive Directors, namely, Mr. Poon Tak Ching, Mr. Pang Cheung Wai Thomas, *SBS, JP* and Mr. Lee Yiu Pui. Mr. Poon Tak Ching is the chairman of the audit committee. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and the internal control systems of our Group.

Remuneration committee

We have established a remuneration committee on 27 May 2019. On 27 May 2019, the remuneration committee approved the written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, which will come into effect upon the Listing. The remuneration committee consists of four members, namely, Mrs. Lin, Mr. Pang Cheung Wai Thomas, *SBS, JP*, Mr. Lee Yiu Pui and Mr. Poon Tak Ching. Mr. Pang Cheung Wai Thomas, *SBS, JP* is the chairman of the remuneration committee. The primary duties of the remuneration committee are to make recommendations to our Board on the remuneration of our Directors and senior management of our Company, determine on behalf of our Board specific remuneration packages and conditions of employment for our Directors and senior management of our Company, and to assess the performance of our Directors and senior management of our Company.

Nomination committee

We have established a nomination committee on 27 May 2019. On 27 May 2019, the nomination committee has approved the written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, which will come into effect upon the Listing. The nomination committee consists of four members, namely, Mrs. Lin, Mr. Lee Yiu Pui, Mr. Pang Cheung Wai Thomas, *SBS, JP* and Mr. Poon Tak Ching. Mr. Lee Yiu Pui is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the “**Board Diversity Policy**”), which sets out the objective and approach to achieve and maintain diversity on our Board. We will ensure that the members of our Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support our Group’s business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through consideration of various factors such as professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The nomination committee is delegated to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules and, after Listing, will review the Board Diversity Policy from time to time to ensure its continued effectiveness. Our implementation of the Board Diversity Policy will be disclosed in our corporate governance report on an annual basis.

DIRECTORS’ REMUNERATION

For the three years ended 31 December 2018, the aggregate amount of fees, salaries, allowances, benefits in kind, discretionary performance-related payments, bonuses and contribution to pension schemes paid by our Group to our Directors were approximately HK\$0.7 million, HK\$0.8 million and HK\$0.8 million, respectively. It is estimated that under the arrangements currently in force, the aggregate remuneration (including directors’ fee, salaries, allowance, benefits in kind, and pension scheme contribution) payable to our Directors (including the independent non-executive Directors) for the year ending 31 December 2019 will be approximately HK\$2.1 million. We shall maintain relevant liability insurance for our Directors upon Listing.

For the three years ended 31 December 2018, our five highest paid employees included two, two and two Directors, and the remuneration paid by our Group to the remaining three, three and three highest paid employees, who are not Directors, were approximately HK\$1.0 million, HK\$1.0 million and HK\$0.9 million, respectively.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or our five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or our five highest paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

During the Track Record Period, none of our Directors waived any emoluments. Save as disclosed above, no other payments have been paid, or are payable, by our Group to our Directors or our five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, our remuneration committee will consider factors, such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance, in assessing the amount of remuneration payable to our Directors, senior management and employees.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

As at the Latest Practicable Date, our Group had 483 employees (exclusive of Directors) located in Hong Kong, the PRC and Japan. For details, please refer to the section headed “Business — Employees” in this listing document.

The purpose of the Pre-IPO Share Option Scheme and the Share Option Scheme is to provide us with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants and potential participants comprising of, among others, employees, our Directors or any member of our Group.

Our employees have participated or may be entitled to participate in the Pre-IPO Share Option Scheme and the Share Option Scheme, details of which are set out in the section headed “Appendix V — Statutory and general information” in this listing document.

EMPLOYEES’ RELATIONS

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries, discretionary bonuses and commission.

Bonuses are generally discretionary and based on the overall performance of our Group’s business. We believe that our employee relations are satisfactory in general. We believe that the management policies, working environment, career prospects and benefits extended to our employees have contributed to employee retention and building of amicable employee relations.

COMPLIANCE ADVISER

We have appointed China Tonghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before our publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where our Group’s business activities, developments or results of operation deviate from any forecast, estimate or other information in this listing document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual report of our Company in respect of our results for the financial year ending 31 December 2020), subject to early termination.

The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of our Company as at the Latest Practicable Date, and assuming that the total number of China Aluminum Cans Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date and without taking into account of (i) any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options; (ii) any China Aluminum Cans Shares that may be allotted and issued upon the exercise of the China Aluminum Cans Share Options; and (iii) any China Aluminum Cans Shares which may be issued upon the exercise of any conversion right attached to the Convertible Notes, immediately following completion of the Spin-off, the following persons will have an interest or a short position in our Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, once our Shares are listed on the Stock Exchange:

Name	Capacity/nature of interest	Number of Shares held or interested ^(Note 3)	Approximate shareholding percentage
(i) Wellmass ^(Note 1)	Beneficial interest	67,000,000(L)	28.56%
(ii) Mr. Lin ^(Note 1)	Interest of a controlled corporation	67,000,000(L)	28.56%
	Beneficial interest	107,788,500(L)	45.96%
(iii) Mrs. Lin ^(Note 2)	Interest of spouse	174,788,500(L)	74.52%

Notes:

- (1) Immediately following completion of the Spin-off and assuming that its shareholding in China Aluminum Cans remains unchanged from the Latest Practicable Date to the Distribution Record Date, Wellmass will hold 67,000,000 Shares. Wellmass is wholly-owned by Mr. Lin. By virtue of the SFO, Mr. Lin is deemed to be interested in our Shares held by Wellmass.
- (2) By virtue of the SFO, Mrs. Lin is deemed to be interested in all our Shares held by her spouse, Mr. Lin.
- (3) Fractional entitlements of our Shares under the Distribution may be taken into account in calculating the interests shown above, and accordingly the number of Shares in which they are, or are deemed to be interested, as well as the shareholding percentages, are approximate only. The letter “L” denotes the person’s long position in our Shares.

Save as disclosed herein, none of our Directors is aware of any person who will, immediately following completion of the Spin-off, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

For details of our Directors’ interests in our Shares immediately following completion of the Spin-off, please refer to the section headed “Appendix V — Statutory and general information — D. Disclosure of interests” in this listing document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As at the Latest Practicable Date, (i) Mr. Lin was legally and beneficially interested in approximately 45.96% of the China Aluminum Cans Shares in issue; (ii) Mr. Lin (through his wholly-owned company, Wellmass) was interested in approximately 28.56% of the China Aluminum Cans Shares in issue; and (iii) our Company was an indirect wholly-owned subsidiary of China Aluminum Cans.

As disclosed in the section headed “The Distribution and Spin-off” in this listing document, on the Distribution Record Date, China Aluminum Cans will subscribe for such number of Shares which, together with the existing Shares in issue, equal to 25% of the number of China Aluminum Cans Shares in issue as at the Distribution Record Date, at the subscription price of HK\$0.10 each. Immediately prior to completion of the Spin-off, our Company will allot and issue such number of new Shares as will ultimately enable China Aluminum Cans to effect the Distribution on the basis of one Share for every four China Aluminum Cans Shares held as at the Distribution Record Date. Immediately upon completion of the Spin-off and the Distribution, China Aluminum Cans will cease to be the shareholder of our Company whereas Wellmass and Mr. Lin will be our Controlling Shareholders. For the corporate structure of our Group, please refer to the section headed “History, reorganisation and corporate structure” in this listing document.

We will operate independently from our Controlling Shareholders and their close associates, details of which are set out below.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Wellmass is a company incorporated in the BVI with limited liability on 18 July 2012 and is an investment holding company and is wholly-owned by Mr. Lin as at the Latest Practicable Date. Hence, Wellmass is an associate of Mr. Lin.

Mr. Lin is an executive director and the chairman of China Aluminum Cans Board as at the Latest Practicable Date. Mr. Lin is also the spouse of Mrs. Lin and the father of Mr. Alex Lin and Ms. Flora Lin.

Upon completion of the Guangzhou Euro Asia Acquisition, Mr. Lin (through European Asia Industrial) owns 30% of the entire issued share capital of Guangzhou Euro Asia, a subsidiary of our Company. For details of the Guangzhou Euro Asia Acquisition and Mr. Lin’s shareholding in Guangzhou Euro Asia, please refer to the section headed “History, reorganisation and corporate structure — Overview” in this listing document.

Immediately following completion of the Spin-off and assuming that its shareholding in China Aluminum Cans remains unchanged from the Latest Practicable Date to the Distribution Record Date, Mr. Lin will be beneficially interested in approximately 74.52% of our Company of which 45.96% of our Company is legally and beneficially owned by Mr. Lin and 28.56% of our Company is legally and beneficially owned by Wellmass (a company wholly-owned by Mr. Lin). Accordingly, Mr. Lin and Wellmass will be our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders confirmed that he/it and his/its close associates (i) were not involved in any business which is or may be in competition with the business of our Group as at the Latest Practicable Date; and (ii) shall not engage in any business which is or may be in competition with the business of our Group from time to time so long as it remains as a Controlling Shareholder under the Deed of Non-competition.

INDEPENDENCE OF OUR GROUP FROM THE REMAINING CHINA ALUMINUM CANS GROUP

Our Directors are of the view that we are capable of carrying on our business independently of the Remaining China Aluminum Cans Group following completion of the Spin-off on the basis set out below:

(i) Clear delineation of business

There is a clear and distinct business focus of each of our Group and the Remaining China Aluminum Cans Group, the details of which are set out below:

Business models

Our Group

We are a leading automotive beauty and maintenance aerosol product manufacturer in the PRC which is engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products, and also personal care products and other products including household products. During the manufacturing process, we mainly focus on the preparation of concentrate, content filling of the cans and fitting of aerosol cans without engaging in any production and sale of monobloc aluminum aerosol cans.

The major raw materials of our Group's products are solvents, aerosol cans (including tinplate and aluminum cans) and packaging materials (such as dip-tubes, valves and paper-boxes). The chemical contents of the aerosol cans and non-aerosol cans are produced by mixing the chemical compounds and other materials and putting the same into containers at controlled temperature for the desired chemical reaction. The chemical contents are then filled into aerosol or non-aerosol cans. For details of the production process adopted by our Group for the aerosol and non-aerosol products, please refer to the section headed "Business — Production" in this listing document.

The Remaining China Aluminum Cans Group

The Remaining China Aluminum Cans Group is engaged in the manufacturing 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 Remaining China Aluminum Cans Group is not engaged in the preparation of concentrate, content filling of the cans and fitting of aerosol cans during the manufacturing process. It is also not engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products and personal care products and other products including household products.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The products of the Remaining China Aluminum Cans Group are generally semi-finished goods and packaging raw materials that require further production to turn into finished goods for consumption. The Remaining China Aluminum Cans Group focuses on developing its technology in manufacturing the aluminum aerosol cans and the same are sold without any brand name imprinted thereon.

The major raw materials for manufacturing aluminum aerosol cans by the Remaining China Aluminum Cans Group are aluminum slugs which are processed from aluminum ingots. The aluminum slugs are lubricated and extruded into cylindrical shapes which form the body of the aluminum cans. The cans are then trimmed to the required length, washed, polished and coated with protecting lacquer. Artwork and texts are printed on the external surface of the aluminum cans and lastly the open end of the same are necked into different shapes and configurations for aerosol purpose.

The business of our Group and the Remaining China Aluminum Cans Group are distinctly different as the nature of their products are not the same, with its own set of production process involving different types of machines. The business of the Remaining China Aluminum Cans Group is in the upstream chain of industry in supplying products as packaging raw materials to the market players in the downstream chain, which included but not limited to our Group. As such, the business of our Group and that of the Remaining China Aluminum Cans Group are not in competition.

Production facilities

Our Group

The production base of our Group is located at Conghua district of the Guangdong Province, the PRC. As at the Latest Practicable Date, our Group owned three properties in the PRC, namely, (a) a parcel of land with a site area of approximately 66,047.00 sq.m situated at No. 628 Jufeng North Road, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市從化區鰲頭鎮聚豐北路628號) on which our North Jufeng Plant, research and development centre, ancillary facilities, offices and staff quarters with a total gross floor area of approximately 26,816.95 sq.m are erected thereon; (b) 3 parcels of land with a total site area of approximately 18,631.60 sq.m situated at Nos. 11-12 Tai Yuan Road, Conghua Economic Technology Development Zone, Conghua District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市從化區經濟技術開發區太源路11—12號) on which our Tai Yuan Plant, ancillary facilities, offices and warehouse with a total gross floor area of approximately 13,653.33 sq.m are erected thereon; and (c) a parcel of land with a site area of 63,623.00 sq.m situated at Xinhu Village, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市從化區鰲頭鎮西湖村地段) with a total site area of approximately 15,525.54 sq.m.

For details of the production facilities of our Group, please refer to the section headed “Business — Properties” in the listing document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Remaining China Aluminum Cans Group

The production base of the Remaining China Aluminum Cans Group is located at Zhongshan City of the Guangdong Province, the PRC. As at the Latest Practicable Date, the Remaining China Aluminum Cans Group owned two properties in the PRC, namely (a) 2 parcels of land with a total site area of approximately 54,019.4 sq.m. situated at No. 5 Ya Bo Nan Road, National Health Technology Park of Zhongshan, Torch Development Zone, Zhongshan City, Guangdong Province, the PRC* (中國廣東省中山市火炬開發區國家健康科技產業基地雅柏南路5號) on which various buildings and structures with a total gross floor area of the approximately 12,854.7 sq.m are erected thereon; and (b) a parcel of land with a site area of approximately 28,913.2 sq.m. situated at No. 12 Kang Tai Road, National Health Technology Park of Zhongshan, Torch Development Zone, Zhongshan City, Guangdong Province, the PRC (中國廣東省中山市火炬開發區國家健康科技產業基地康泰路12號) on which various buildings and structures with a total gross floor area of the approximately 7,528.9 sq.m are erected thereon.

As the production facilities are located in different cities, our Group and the Remaining China Aluminum Cans Group have their own respective staff, operating and production teams and systems. Our Group and the Remaining China Aluminum Cans Group do not have any overlapping of production and operation.

Customers

Our Group

Our OBM customers include contractual and non-contractual distributors in the PRC, customers who purchase through our online retail stores, overseas OBM customers and other OBM customers, which are primarily located in the PRC. As at 31 December 2018, we had a nationwide network of over 190 contractual distributors and over 600 non-contractual distributors in the PRC. The distributors in turn sell our products to sub-distributors, other outlets (such as supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers and online retailers) and end consumers.

Our CMS customers mainly include: (a) overseas brand owners or their outsourcing agent companies; (b) export and trading companies, which export our CMS products to overseas countries; and (c) PRC brand owners or their outsourcing agent companies. We have established ranging from 3 to 10 years of business relationship with our top five customers during the Track Record Period which were all CMS customers. During the Track Record Period, a majority of our CMS products were ultimately distributed overseas. For details of our top five customers during the Track Record Period, please refer to the section headed “Business — Our customers — Our top five customers” in this listing document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Remaining China Aluminum Cans Group

The customers of the Remaining China Aluminum Cans Group consists of (a) consumer brand manufacturers mainly of personal care products such as body deodorant, hair styling products, shaving cream and pharmaceutical products; (b) trading companies; and (c) aerosol filling companies which fill active ingredients and propellants into aluminum aerosol cans for various consumer brands. The customers of the Remaining China Aluminum Cans Group are primarily located in Asia Pacific, Middle East, Africa, Europe and North America with a focus in the PRC.

There were 28 common customers between our Group and the Remaining China Aluminum Cans Group during the Track Record Period. The common customers purchased different products from our Group and the Remaining China Aluminum Cans Group. The common customers purchased monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group and then engaged our Group to conduct the content filling of aerosol and non-aerosol products. The revenue attributable to the common customers amounted to (i) approximately HK\$11.4 million, HK\$16.9 million and HK\$27.5 million for the Remaining China Aluminum Cans Group, representing approximately 5.2%, 6.7% and 9.9% of the total revenue of the Remaining China Aluminum Cans Group; and (ii) approximately HK\$6.9 million, HK\$19.9 million and HK\$30.0 million for our Group, representing approximately 1.3%, 3.8% and 4.9% of the total revenue of our Group, during the three years ended 31 December 2018, respectively. These common customers did not constitute top five customers of our Group and the Remaining China Aluminum Cans Group during the Track Record Period.

Suppliers

Our Group

Our major suppliers are suppliers of solvents, aerosol cans (including tinplate cans and aluminum cans) and packaging materials (such as dip-tubes, valves and paper boxes), which are primarily sourced from our PRC suppliers. For details of our top five suppliers during the Track Record Period, please refer to the section headed “Business — Our suppliers — Our top five suppliers” in this listing document.

The Remaining China Aluminum Cans Group

The suppliers of the Remaining China Aluminum Cans Group are the suppliers of aluminum slug and ingot, which are primarily located in the PRC and Thailand.

There were 2 common suppliers between our Group and the Remaining China Aluminum Cans Group during the Track Record Period, who provided fine chemical products to our Group for preparing the content of filling into the aerosol or non-aerosol cans and to the Remaining China Aluminum Cans Group for cleaning monobloc aluminum aerosol cans. The costs of purchase amounted to (i) approximately nil, HK\$0.4 million and HK\$0.5 million for the Remaining China Aluminum Cans Group, representing approximately nil, 0.3% and 0.5% of the total costs of purchase of the Remaining China Aluminum Cans Group; and (ii) approximately nil, HK\$0.4 million and HK\$4.1 million for our Group, representing approximately nil, 0.1% and 1.0% of the total costs of purchase of our Group, for the three years ended 31 December 2018, respectively. These common

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

suppliers did not constitute top five suppliers of our Group and the Remaining China Aluminum Cans Group during the Track Record Period. Our Directors consider that both our Group and the Remaining China Aluminum Cans Group may benefit from bulk purchasing as greater discount may be given by such suppliers.

During the Track Record Period, our Group also sourced and purchased certain aluminum aerosol cans from the Remaining China Aluminum Cans Group. The cost of purchase of our Group from the Remaining China Aluminum Cans Group represented approximately 4.4%, 5.2% and 6.0% of our total cost of sales during the three years ended 31 December 2018, respectively. On the other hand, the revenue attributable to the Remaining China Aluminum Cans Group for such purchase represented approximately 7.0%, 7.8% and 9.8% of the total revenue of the Remaining China Aluminum Cans Group during the three years ended 31 December 2018, respectively.

We have sourced certain monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group since 2015. We believed that we would achieve better and more efficient communication with the Remaining China Aluminum Cans Group as to our business needs as compared to other third party suppliers. In addition, the long-term relationship between our Group and the Remaining China Aluminum Cans Group in turn provides us with business and operation convenience. In view of the aforesaid, our Directors (including the independent non-executive Directors) consider that it is in the ordinary and usual course of our business to purchase monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group and such purchase is in the interests of our Company, China Aluminum Cans and their respective shareholders as a whole.

Upon completion of the Spin-off, our Group will ensure the compliance of the on-going transactions between our Group and the Remaining China Aluminum Cans Group with the Listing Rules and that the terms of the Master Supply Agreement are fair and reasonable and on normal commercial terms. The purchase prices shall be determined after arm's length negotiations between our Group and the Remaining China Aluminum Cans Group, with reference to the quotations given by at least one independent supplier supplying same or comparable products and the purchase prices to be offered to other independent customers by the Remaining China Aluminum Cans Group. For details of the Master Supply Agreement, please refer to the section headed "Continuing connected transactions — Non-exempt continuing connected transaction" in this listing document.

Based on the above, as our Group and the Remaining China Aluminum Cans Group operate in two distinct lines of businesses with different products and separate production facilities whereby each group is able to carry out its own business as a going concern, our Company is of the view that there is clear and distinct delineation of business between our Group and the Remaining China Aluminum Cans Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(ii) Management independence

Following completion of the Spin-off and the Listing, the businesses of our Group and the Remaining China Aluminum Cans Group will be managed and operated independently by separate boards of directors and senior management teams of our Group and the Remaining China Aluminum Cans Group. As at the Latest Practicable Date, our Board comprised seven Directors whereas the China Aluminum Cans Board comprised nine directors, including Mrs. Lin and Mr. Alex Lin. In order to focus on the business and operation of our Group, Mrs. Lin and Mr. Alex Lin ceased to be executive directors of China Aluminum Cans and resigned from any other position in the Remaining China Aluminum Cans Group on 29 May 2019. In the meantime, together with Ms. Flora Lin and Mr. Yang, Mrs. Lin and Mr. Alex Lin will focus on the management of our Group while Mr. Lin will remain as the chairman and an executive director of China Aluminum Cans and continue to focus on the management of the Remaining China Aluminum Cans Group. Upon the Spin-off and the Listing, none of our Directors and senior management will be a director or senior management of the Remaining China Aluminum Cans Group.

The independent senior management team of our Group consists of Ms. Flora Lin (being the head of procurement department), Mr. Alex Lin (being the head of sales and marketing department), Mr. Yang (being the head of safety department and quality control and technical supervision department), Mr. Zhang Zhiming (being the head of production department), Ms. Liu Hua (being the senior sales manager) and Ms. Zeng Caixia (being the finance manager), most of whom have served our Group for over 10 years. They possess relevant management and/or industry related experience and knowledge and made material decisions in our business operation during the Track Record Period. As at the Latest Practicable Date, there is no overlapping personnel between the senior management teams of our Group and the Remaining China Aluminum Cans Group.

As at the Latest Practicable Date, Mr. Lee Kam Fai is a company secretary of our Company where he is responsible for overseeing the regulatory compliance of our Group and maintaining the relevant statutory records, while he is also the chief financial officer of the Remaining China Aluminum Cans Group where he is responsible for the overall finance and accounting management of the Remaining China Aluminum Cans Group. The role and responsibilities performed by Mr. Lee Kam Fai in our Group are entirely different from those in the Remaining China Aluminum Cans Group. During the Track Record Period, Mr. Lee Kam Fai was the chief financial officer of the China Aluminum Cans Group and was therefore involved in the accounts and finance department of our Group. As China Aluminum Cans will cease to consolidate the results of our Group after completion of the Spin-off, Mr. Lee Kam Fai would not have any involvement in the accounts and finance department of our Group.

Notwithstanding the family relationship between Mr. Lin, Mrs. Lin, Ms. Flora Lin and Mr. Alex Lin (the “**Lin’s Family**”), our Group will be able to operate independently of Mr. Lin as Mr. Lin will not have any role and position in our Group and the management and operation of our Group will be supported by separate board of directors and senior management team upon the Spin-off and the Listing. Mrs. Lin, Mr. Alex Lin, Ms. Flora Lin and Mr. Yang have joined our Group since 2000, 2014, 2012 and 2000, respectively, and since then, the daily management and operation functions of our Group have been substantially vested in them while Mr. Lin has been increasing his focus on the daily management of the Remaining China Aluminum Cans Group. Mr. Lin has since the Topspan Acquisition diverted his attention to the business of the Remaining China Aluminum Cans Group. Our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

executive Directors collectively have extensive experience in the content filling of aerosol cans and non-aerosol cans and the design, development, manufacture and sales of aerosol and non-aerosol products and are familiar with our operational flow. In light of the above, our Group is capable of operating independently from the Remaining China Aluminum Cans Group.

In addition, our Directors are of the view that although our Controlling Shareholders will retain a controlling interest in our Company and China Aluminum Cans, our Group will be able to operate independently of the Remaining China Aluminum Cans Group and our Controlling Shareholders following completion of the Spin-off for the following reasons:

- (i) upon the Spin-off and the Listing, there will be no overlapping directors and senior management in our Group and the Remaining China Aluminum Cans Group and Mr. Lin will not have any role or position in our Group;
- (ii) save and except Mrs. Lin, Ms. Flora Lin and Mr. Alex Lin, our Board will have one executive Director and three independent non-executive Directors, all of which are independent of our Controlling Shareholders and the Remaining China Aluminum Cans Group. These four Directors outnumber the Lin's Family, which can form the necessary quorum to consider the resolutions presented to our Board and have the necessary expertise and experience to ensure that decisions by our Board will be made taking into consideration the interests of our Company and our Shareholders as a whole. All decisions of our Board will be decided by a majority of votes amongst members of our Board;
- (iii) all our three independent non-executive Directors did not, do not, and will not, have any ongoing role with the Remaining China Aluminum Cans Group and accordingly, our independent non-executive Directors can exercise independent judgment free from any conflict of interest and form an independent board committee to advise our Company and/or independent Shareholders;
- (iv) all members of our senior management are our full-time employees and have, during the entire or substantially the entire Track Record Period, assumed senior management supervisory responsibilities in our business. None of them will hold any managerial or executive role in the Remaining China Aluminum Cans Group upon the Spin-off and the Listing. Their management and supervisory functions will ensure that our management and daily operations are independent of the Remaining China Aluminum Cans Group;
- (v) all of our Directors have received training in respect of director's duties and each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interest of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director. In the event that there is any potential or actual conflict of interest arises between our Group (on the one hand) and our Controlling Shareholders and/or their respective associates (on the other hand), any conflicting Directors will abstain from voting at the board meetings on the relevant resolutions;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) in the event that any conflict of interest arises between our Group and the Remaining China Aluminum Cans Group, our independent non-executive Directors will provide check and balance over the decisions of our Board on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests; and
- (vii) we have adopted a number of corporate governance measures in order to manage any potential conflict of interest which may arise between our Group (on the one hand) and the Remaining China Aluminum Cans Group or our Controlling Shareholders (on the other hand) and to safeguard the interests of our Shareholders.

Accordingly, our Directors consider that the management of our Group is independent from the Remaining China Aluminum Cans Group.

(iii) Administration independence

Upon completion of the Spin-off, our Group and the Remaining China Aluminum Cans Group would share the same administrative office which is located at Office Unit G, 20th Floor, Golden Sun Centre, Nos. 59/67 Bonham Strand West, Hong Kong and thus the rental will be apportioned with reference to the actual area occupied by each of our Group and the Remaining China Aluminum Cans Group. For details of the HK Tenancy Agreement, please refer to the section headed “Continuing connected transactions — Fully exempt continuing connected transactions — (A) HK Tenancy Agreement” in this listing document. Save and except the aforesaid, there is no overlapping of the administrative services, including corporate secretarial services, information technology, human resources and administration services between our Group and the Remaining China Aluminum Cans Group.

Accordingly, our Directors are of the view that we will be administratively independent of the Remaining China Aluminum Cans Group upon completion of the Spin-off.

(iv) Financial independence

Balances between our Group and the Remaining China Aluminum Cans Group and other related parties

As at the Latest Practicable Date, all amounts due from the Remaining China Aluminum Cans Group and other related parties to us have been fully settled to our Group.

Bank borrowings

As at 30 April 2019, we had bank borrowings of approximately HK\$60.0 million and undrawn banking facilities of approximately HK\$78.6 million, which were secured by certain of our assets and/or were guaranteed by the members of the Remaining China Aluminum Cans Group. Such guarantees are expected to be released and replaced by the guarantee(s) from our Company upon Listing.

As at 30 April 2019, the undrawn banking facilities of our Group were approximately HK\$78.6 million, indicating that our Group has been able to obtain bank borrowings without the financial assistance from the Remaining China Aluminum Cans Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Accordingly, our Directors are of the view that we will be financially independent of the Remaining China Aluminum Cans Group upon completion of the Spin-off.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and their respective close associates on their existing or future competing businesses;
- (ii) our Controlling Shareholders shall promptly provide all information necessary for the annual review by our Company's independent non-executive Directors and the enforcement of the Deed of Non-competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-competition and make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (iii) our Company shall disclose decisions on matters reviewed by its independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by our Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company and/or by way of announcements to the public;
- (iv) any new business opportunities under the Deed of Non-competition and all other matters determined by our Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on the relevant matters. In the event any new business opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company. The annual report of our Company will include the views and decisions, with basis, of the independent non-executive Directors on whether to take up any new business opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to the independent non-executive Directors;
- (v) further, if a Controlling Shareholder or a Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and
- (vi) the compliance adviser of our Company shall provide our Company with professional advice on compliance of continuing obligations under the Listing Rules in accordance with the provisions of the compliance adviser agreement and the requirements of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, it shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this listing document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it is shown by this listing document to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be one of our Controlling Shareholders,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding or the shareholding of the companies controlled by it in our Company is made in this listing document and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The authorised and issued share capital of our Company is as follows:

	Aggregate nominal value HK\$
Authorised share capital:	
1,500,000,000 Shares as at the date of this listing document	15,000,000
Shares issued or to be issued, fully paid or credited as fully paid:	
2 Shares in issue as at the date of this listing document	0.02
<u>234,544,748</u> Shares to be issued pursuant to the Distribution	<u>2,345,447.48</u>
<u>234,544,750</u>	<u>2,345,447.50</u>

Assumptions

The above table assumes that (a) the Listing becomes unconditional; and (b) the total number of China Aluminum Cans Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date, and takes no account of (i) any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options and any options that have been or may be granted under the Share Option Scheme; (ii) any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and the Repurchase Mandate; (iii) any China Aluminum Cans Shares that may be allotted and issued upon the exercise of the China Aluminum Cans Share Options; and (iv) any China Aluminum Cans Shares which may be issued upon the exercise of any conversion right attached to the Convertible Notes.

As at the Latest Practicable Date, there were (i) China Aluminum Cans Share Options which entitled the holders thereof to subscribe for 800,000 China Aluminum Cans Shares; and (ii) Convertible Notes which entitle the holder thereof to exercise the conversion rights attached thereto and subscribe for 251,690,222 China Aluminum Cans Shares. For illustrative purpose, assuming all the China Aluminum Cans Share Options and the Convertible Notes were exercised or converted on or before the Distribution Record Date, the issued share capital of our Company immediately before completion of the Listing shall be HK\$2,976,673.05 divided into 297,667,305 Shares of HK\$0.01 each.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time.

RANKING

Our Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with each other, and will qualify for all dividends, income and other distributions declared, made or paid and any other rights and benefits attaching or accruing to our Shares following completion of the Spin-off.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Listing becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, details of which are set out in the section headed “Appendix V — Statutory and general information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder” in this listing document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Listing becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, details of which are set out in the sections headed “Appendix V — Statutory and general information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder” and “Appendix V — Statutory and general information — A. Further information about our Company — 6. Repurchase by our Company of our own securities” in this listing document.

SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Details of the principal terms are summarised in the section headed “Appendix V — Statutory and general information” in this listing document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see the section headed “Appendix IV — Summary of the constitution of our Company and Cayman Islands company law” in this listing document.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the Accountants' Report (together with the accompanying notes) set out in "Appendix I — Accountants' Report" in this listing document. The Accountants' Report has been prepared by Ernst & Young, Certified Public Accountants, Hong Kong in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out in the section headed "Risk factors" and elsewhere in this listing document.

OVERVIEW

We are a leading automotive beauty and maintenance aerosol product manufacturer in the PRC. According to the CIC Report, in 2018, we were ranked first in the manufacturing of aerosol products used in the automotive beauty and maintenance market in the PRC in terms of revenue, with a market share of approximately 13.2%, and the sales volume of aerosol products constituted approximately 20% of the total sales volume of products used in the automotive beauty and maintenance market in the PRC in 2018.

We are engaged in the design, development, manufacture and sale of a wide range of automotive beauty and maintenance products including auto cleaning and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners. The automotive beauty and maintenance products are in the form of aerosol and non-aerosol products. We also design, develop, manufacture and sell personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash) and other products including household products (such as paint and floor polish). A majority of the products we sold during the Track Record Period were aerosol products.

For the three years ended 31 December 2018, our revenue was approximately HK\$526.9 million, HK\$518.4 million and HK\$610.9 million, of which approximately HK\$476.3 million, HK\$449.7 million, and HK\$480.2 million, representing approximately 90.4%, 86.7% and 78.6% of our revenue, was attributable to our automotive beauty and maintenance products, respectively.

We supply our products on both OBM (Original Brand Manufacturing) basis and CMS (Contract Manufacturing Service) basis. Our OBM products represent original brand manufacturing products, that is, products which we design, develop, manufacture and sell under our own or licensed brand names. Our award-winning BOTNY (保賜利) brand is our signature brand. Among other awards, our BOTNY (保賜利) brand was selected as one of the Top 100 Automotive Post-market Brands* (2018 中國汽車後市場百強品牌) by Global Automotive Media Recommendation Center* (全球汽車媒體聯薦中心) and the CIAACE Committee* (CIAACE 中國汽車用品暨改裝汽車展覽會組委員會) in 2018 and the ternary catalytic restoration agent (三元催化修復劑) under our BOTNY (保賜利) brand was

FINANCIAL INFORMATION

awarded 2016 Recommended Product* (2016年推薦大獎) by Auto Magazine* (汽車雜誌). For the three years ended 31 December 2018, we derived approximately 57.6%, 59.2% and 52.5% of our revenue from our supply of OBM products respectively. Among the sales of our OBM products, approximately 77.0%, 80.4% and 81.6% of our revenue was attributable to our BOTNY (保賜利) brand. Our OBM customers mainly comprise contractual and non-contractual distributors in the PRC, customers who purchase through our online retail stores, overseas OBM customers and other OBM customers. In 2013, we started to sell our OBM products under our BOTNY (保賜利) brand to overseas markets. We also have two online stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com. We plan to increase our sales of OBM products, enhance our brand recognition and achieve a broader consumer base through our e-commerce strategies. In particular, we have introduced a new series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand, which in particular targets young car owners in the PRC in October 2018 initially through online platforms. We have also sold our products under our new series through our distributors. We have introduced user-friendly automotive beauty and maintenance products together with the slogan “讓汽車美容養護更簡單 (Easy Car Care Easy Life)”.

Our CMS products, on the other hand, represent contract manufacturing service products, that is, products we manufacture which are marketed and sold under our customers' own brand names. Our CMS products are manufactured on OEM basis or ODM basis. For the three years ended 31 December 2018, we derived approximately 42.4%, 40.7% and 47.5% of our revenue from our supply of CMS products. During the Track Record Period, a substantial part of our CMS products were distributed overseas, and Japan was the top overseas market (based on the locations of the registered offices of our customers) of our CMS products.

BASIS OF PRESENTATION

The combined financial statements of our Group set out in the section headed “Appendix I — Accountants' Report” in this listing document have 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 early adopted by our Group in the preparation of the combined financial statements of our Group set out in the section headed “Appendix I — Accountants' Report” in this listing document throughout the Track Record Period.

Following completion of the Reorganisation, as more fully explained in the section headed “History, reorganisation and corporate structure — Reorganisation” in this listing document, our Company became the holding company of the companies now comprising our Group on 15 May 2019. The companies now comprising our Group were under the common control of our Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of our Accountants' Report, the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the three years ended 31 December 2018 and the combined statements of financial position of our Group as at 31 December 2016, 2017 and 2018 have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or

FINANCIAL INFORMATION

businesses first came under the common control of our Controlling Shareholders, where this is a shorter period. The combined statements of financial position of our 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 our Controlling Shareholders' 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 our Controlling Shareholders 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 consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those factors set out in the section headed "Risk factors" in this listing document. The key factors affecting our results of operation are as follows:

General economic conditions and consumer demand for our products in the PRC and overseas

According to the National Bureau of Statistics of China, real GDP in the PRC grew at 6.7%, 6.8% and 6.6% for 2016, 2017 and 2018, respectively. According to the CIC Report, with the ongoing shift to a consumption-driven economy, the PRC's GDP has seen its consumption component expanding in recent years. According to the National Bureau of Statistics of China, the contribution of final consumption to GDP in the PRC increased from 50.7% in 2014 to reach 54.1% in 2018. According to the CIC Report, the increase in urbanisation rate in the PRC from 54.8% in 2014 to 59.6% in 2018 is likely to boost the consumption demand for private cars for Chinese households. Annual per capita disposable income of urban households in China increased from RMB28,844 in 2014 to RMB39,251 in 2018, representing a CAGR of 8.0%. As over 65% of our products were sold in the PRC during the Track Record Period, the expected growth in the PRC's GDP, the increasing urbanisation rate and the increasing purchasing power in the PRC are expected to fuel the demand for our products and may positively affect our results of operations.

Although we believe the above factors may be favourable to our business and financial operation, consumer demand for our products may be affected by other factors, including market competition and our positioning with respect to branding and pricing.

For more information on the general economic conditions and consumer demand in the PRC, please refer to the section headed "Industry overview" in this listing document.

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Furthermore, the economic conditions in the PRC and in our overseas markets abroad which include Japan, Asia and the United States, may have a significant effect on our financial condition and results of operations. A majority of our sales are made to the PRC. Economic conditions in these regions, including levels of consumer spending and disposable income, affect our customers' production volumes and, in turn, the demand for our products. Therefore, any change in economic conditions in these regions may affect our financial condition and results of operations.

Product mix

Our revenue and profit margins depend on changes in our product offerings since different product types have different levels of demand and selling prices. We have established a diversified product portfolio consisting of (i) automotive beauty and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners; (ii) personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash); and (iii) other products including household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

We adopt a cost-plus pricing policy. The selling prices of our products are generally determined with reference to general economic conditions, raw material costs, production cost, packaging requirements, research and development costs, and the amount of individual purchase orders. Our results of operations may be materially and adversely affected if we are unable to price our products at reasonable gross profit margins.

For the three years ended 31 December 2018, (i) sale of our automotive beauty and maintenance products had gross profit margins of approximately 35.6%, 29.1% and 25.1% and accounted for approximately 90.4%, 86.7% and 78.6% of our revenue; (ii) sale of our personal care products had gross profit margins of approximately 19.7%, 24.3% and 28.8% and accounted for approximately 8.4%, 11.4% and 20.6% of our revenue; and (iii) sale of our other products including household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools had gross profit margins of approximately 22.0%, 24.4% and 12.9% and accounted for approximately 1.2%, 1.9% and 0.8% of our revenue, respectively. As we plan to expand into the personal care products market in the PRC, the revenue contribution of our personal care products rapidly increased during the Track Record Period. In March 2018, we acquired Guangzhou Euro Asia which is primarily engaged in the design, development, manufacture and sale of personal care products. Please refer to the section headed “Business — Business strategies — We plan to further expand into the personal care products market in the PRC” in this listing document for more details of our business plan.

Our overall gross profit margins for the three years ended 31 December 2018 were approximately 34.1%, 28.4% and 25.8%, respectively. For more information on our gross profit and gross profit margin and gross profit margin in our different product categories, please refer to the section headed “Financial information — Description and analysis of principal components in the combined statements of profit or loss and other comprehensive income — Gross profit and gross profit margin” in this listing document.

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Sales and distribution network

Our sales and distribution network affects the extent of our reach to customers. We have an extensive nationwide and strategically designed sales and distribution network in the PRC. We work closely with our distributors (both contractual and non-contractual) to capture the demand for our OBM products in the PRC. As at 31 December 2018, we had over 190 contractual distributors and over 600 non-contractual distributors and two online retail stores at Tmall and JD.com, overseas OBM customers and other OBM customers. The distributors in turn sell our OBM products to sub-distributors and other outlets (including supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers and online retailers) and end consumers. We benefit from the stability of our relationships with our contractual distributors. Our top five OBM customers which were all contractual distributors during the Track Record Period have over three years of relationship with us.

A substantial part of our revenue in the PRC for the sale of our OBM products is derived from our third-party distributors. There is no assurance that we will be able to attract a sufficient number of quality distributors to maintain or expand our geographical coverage. Also, in the event our distributors fail to effectively sell our OBM products or meet their annual sales targets, it could result in a significant decrease in our sales volume, which may materially and adversely affect our business, financial condition and results of operations. Please refer to the section headed “Risk factors - We rely on our third party distributors to sell and distribute our OBM products” in this listing document for more details.

Costs of raw materials

Our raw materials mainly comprise solvents, aerosol cans (including tinplate and aluminum cans) and packaging materials (such as dip-tubes, valves and paper boxes) which form a major part of our cost of sales. We source our raw materials (such as dip-tubes, valves and paper boxes) primarily from our PRC suppliers. As we negotiate price with our suppliers, we are subject to price fluctuations. As a result, the costs of raw materials directly affects our results of operations.

For the three years ended 31 December 2018, our costs of raw materials were approximately HK\$304.5 million, HK\$324.9 million and HK\$395.5 million, representing approximately 87.7%, 87.6% and 87.3% of our total costs of sales, respectively. Any significant raw material price fluctuations may have a negative impact on our results of operations in the event that we are unable to pass on raw material price increases to our customers.

Level of income tax and preferential tax treatment

Our profit attributable to owners of the parent is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled. In recognition of our strong technology and production development capability, our key operating subsidiary, Guangzhou Botny, has been accredited as a High-tech enterprise (高新技術企業) since 2008, which entitles us to a preferential tax rate of 15%, subject to the review and approval by the tax authorities every three years. If we lose our preferential tax treatment, we may be subject to an enterprise income tax rate of 25%, which may adversely affect our business and results of operations.

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Exchange rate fluctuations

Our sales are mainly denominated in US\$ and RMB. Our cost of sales and operating expenses are mainly denominated in RMB. For the three years ended 31 December 2018, approximately 31%, 26% and 28% of our revenue was denominated in US\$. Our profit margins will be adversely affected to the extent that we are unable to increase the selling prices of our products denominated in US\$ to offset any appreciation of RMB against US\$ in order to maintain our competitiveness.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) which comprise all standards and interpretations approved by Interpretations issued by the International Accounting Standard Board (“**IASB**”). The significant accounting policies are set out in note 5 to the Accountants’ Report contained in Appendix I to this listing document. Some of our accounting policies involve subjective assumptions, estimates and judgments related to assets, liabilities, income, expenses and other accounting items, which are discussed in note 6 to the Accountants’ Report in Appendix I in this listing document. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. We believe the following accounting policies, estimates and judgments are most critical to the preparation of our financial information.

Revenue recognition

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

- (i) from the sale of goods, our contracts with customers for the sale of goods generally include one performance obligation. We have 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;
- (ii) 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;
- (iii) income from research and development (“**R&D**”) design is recognised when the relevant R&D service has been rendered at a point in time; and
- (iv) a contract liability is the obligation to transfer goods or services to a customer for which our Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before our 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 our Group performs under the contract.

The adoption of IFRS 15 did not have significant impact on our financial position and performance as compared to IAS18 during the Track Record Period.

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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, our 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 our 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 as at 31 December 2016, 2017 and 2018 were approximately HK\$94.6 million, HK\$97.5 million and HK\$104.0 million, respectively. Further details are given in note 16 to the Accountants' Report in Appendix I in this listing document.

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

Our Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on 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 our Group's historical observed default rates. Our 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. Our Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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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 ECLs.

The adoption of IFRS 9 did not have significant impact on our financial position and performance as compared to IAS 39 during the Track Record Period.

Policy applicable before 1 January 2018

Our 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. Our Group reassesses the impairment allowance at the end of each Track Record Period.

Impairment of non-financial assets

Our Group assesses at each reporting date whether there is any indications that an asset may be impaired. If any such indication exists, our 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 our 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 Accountants' Report in Appendix I in this listing document.

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Deferred tax liabilities

Our 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 our Group's business plan and future cash requirements outside the PRC.

RESULTS OF OPERATIONS

The following table sets forth a summary of our combined statements of profit or loss for the Track Record Period, details of which are set out in the Accountants' Report in Appendix I in this listing document:

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	526,855	518,381	610,864
Cost of sales	<u>(347,214)</u>	<u>(370,904)</u>	<u>(453,304)</u>
Gross profit	179,641	147,477	157,560
Other income and gains	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	<u>(1,788)</u>	<u>(497)</u>	<u>(2,035)</u>
Profit before tax	92,673	50,376	61,592
Income tax expense	<u>(22,164)</u>	<u>(9,398)</u>	<u>(14,664)</u>
Profit for the year	<u>70,509</u>	<u>40,978</u>	<u>46,928</u>
Profit attributable to :			
- owners of the parent	69,368	39,210	41,686
- non-controlling interests	<u>1,141</u>	<u>1,768</u>	<u>5,242</u>
	<u>70,509</u>	<u>40,978</u>	<u>46,928</u>

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DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Revenue by product categories

We generate revenue by selling our products to our OBM customers and our CMS customers. Our products are segmented into the following main product categories, namely (i) automotive beauty and maintenance products; (ii) personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash); and (iii) other products including household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

The following tables set forth our revenue by product categories during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Automotive beauty and maintenance products						
- aerosol products	412,739	78.3%	390,573	75.3%	417,474	68.3%
- non-aerosol products	63,551	12.1%	59,077	11.4%	62,755	10.3%
Sub-total	476,290	90.4%	449,650	86.7%	480,229	78.6%
Personal care products	44,507	8.4%	59,339	11.4%	125,920	20.6%
Other products (<i>Note</i>)	6,058	1.2%	9,392	1.9%	4,715	0.8%
Total	526,855	100.0%	518,381	100.0%	610,864	100.0%

Note: “Other products” include household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

For the three years ended 31 December 2018, our revenue was mainly derived from design, development, manufacture and sales of our automotive beauty and maintenance products, representing approximately 90.4%, 86.7% and 78.6% of our revenue, of which aerosol products contributed approximately 78.3%, 75.3% and 68.3% of our revenue, respectively.

In November 2017, with a view to expanding into the personal care products market in the PRC, we entered in an equity transfer agreement regarding the acquisition of Guangzhou Euro Asia which is primarily engaged in design, development, manufacture and sales of personal care products. For the three years ended 31 December 2018, sales of our personal care products contributed approximately 8.4%, 11.4% and 20.6% of our revenue, respectively. During the Track Record Period, all of our personal care products were sold on a CMS basis.

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Automotive beauty and maintenance products

For the year ended 31 December 2016, sales of our automotive beauty and maintenance products increased by approximately 2.7% to approximately HK\$476.3 million as compared to the previous year. Our Directors attribute such increase to (i) our increased sales and marketing efforts in promoting our products including participation in pop music concert sponsorships, trade fairs and exhibitions and promotions through e-commerce platforms and radio; and (ii) the depreciation of RMB against USD which stimulated export sales of our CMS products, given that a devaluation of the exchange rate will generally make exports more competitive and appear cheaper to foreigners.

For the year ended 31 December 2017, sales of our automotive beauty and maintenance products decreased by approximately 5.6% to approximately HK\$449.7 million as compared to the previous year, primarily due to the decrease in sales orders received from a major CMS customer in Japan due to intense competition.

For the year ended 31 December 2018, sales of our automotive beauty and maintenance products increased by approximately 6.8% to approximately HK\$480.2 million as compared to the previous year, primarily due to (i) the increase in our sales to three export and trading companies in the PRC which assisted us in exporting our products to our CMS customers overseas; (ii) the general increase in the selling prices of a majority of our OBM products since May 2018; and (iii) the depreciation of RMB against USD which stimulated export sales of our CMS products.

Personal care products

Sales of our personal care products exhibited a growth from approximately HK\$44.5 million for the year ended 31 December 2016 to approximately HK\$59.3 million for the year ended 31 December 2017, primarily due to the increase in demand for our personal care products. For the year ended 31 December 2018, sales of our personal care products increased significantly by approximately 112.2% to approximately HK\$125.9 million as compared to the previous year, primarily attributable to (i) the general increase in the number of customers of our personal care products; (ii) the increase in export sales to a major customer in the U.S.; and (iii) our Group's continuous strategy of placing increasing focus on the personal care market given the higher gross profit margin in general and the increasing demand for personal care products in the PRC.

According to the CIC Report, sales volume of aerosol products used in the personal care products market in the PRC increased at a CAGR of approximately 10.1% during the period from 2014 to 2018 and is expected to grow at a CAGR of approximately 6.9% during the period from 2018 to 2023, indicating the increasing demand for personal care products in the PRC.

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Revenue by business models

Set out below is our revenue by business models during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
OBM products						
Automotive beauty and maintenance products						
- Aerosol products	250,237	47.5%	252,454	48.7%	262,872	43.0%
- Non-aerosol products	52,023	9.9%	53,527	10.3%	57,019	9.3%
Household products	1,106	0.2%	1,139	0.2%	907	0.2%
Subtotal	<u>303,366</u>	<u>57.6%</u>	<u>307,120</u>	<u>59.2%</u>	<u>320,798</u>	<u>52.5%</u>
CMS products						
Automotive beauty and maintenance products						
- Aerosol products	162,502	30.9%	138,119	26.7%	154,602	25.3%
- Non-aerosol products	11,528	2.2%	5,550	1.1%	5,736	1.0%
Personal care products	44,507	8.4%	59,339	11.4%	125,920	20.6%
Household products	4,717	0.9%	7,937	1.5%	3,691	0.6%
Subtotal	<u>223,254</u>	<u>42.4%</u>	<u>210,945</u>	<u>40.7%</u>	<u>289,949</u>	<u>47.5%</u>
Others <i>(Note)</i>	<u>235</u>	<u>0.0%</u>	<u>316</u>	<u>0.1%</u>	<u>117</u>	<u>0.0%</u>
Total	<u>526,855</u>	<u>100%</u>	<u>518,381</u>	<u>100%</u>	<u>610,864</u>	<u>100.0%</u>

Note: “Others” include packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

For the three years ended 31 December 2018, (i) sales of our OBM products, i.e. products that were sold under our own or licensed brand names, accounted for approximately 57.6%, 59.2% and 52.5% of our revenue; and (ii) sales of our CMS products, i.e. products that were sold under our customers’ own brand names, accounted for approximately 42.4%, 40.7% and 47.5% of our revenue, respectively. Among our CMS products, personal care products accounted for approximately 8.4%, 11.4% and 20.6% of our revenue, respectively.

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Our Directors consider that given (i) the intense competition in the CMS market; and (ii) the higher gross profit margins of our OBM products and personal care products as compared to our other CMS (comprising CMS automotive beauty and maintenance products and CMS household products) products in general, it has always been our strategy to shift our focus from other CMS products to OBM products and personal care products. As a result, the proportion of sales of our other CMS products to our revenue decreased from approximately 33.9% for the year ended 31 December 2016 to approximately 26.9% for the year ended 31 December 2018.

Given the increasing demand for our personal care products, the proportion of sales of our personal care products to our revenue increased from approximately 8.4% for the year ended 31 December 2016 to approximately 20.6% for the year ended 31 December 2018.

Revenue by geographical locations

The table below sets forth our revenue by geographical locations (based on the locations of the registered offices of our customers) during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
PRC (Note 1)	362,799	68.9%	385,874	74.4%	437,322	71.6%
Japan	106,270	20.2%	78,101	15.1%	76,739	12.6%
Asia (Note 2)	37,255	7.1%	34,960	6.7%	23,911	3.9%
Middle East (Note 3)	12,221	2.3%	10,078	1.9%	9,071	1.5%
America (Note 4)	3,527	0.7%	4,959	1.0%	58,312	9.5%
Others (Note 5)	4,783	0.8%	4,409	0.9%	5,509	0.9%
Total	526,855	100.0%	518,381	100.0%	610,864	100.0%

Notes:

1. PRC represents mainland China exclusive of Hong Kong, Taiwan and Macau. It includes sales generated from our two online stores “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com.

Our PRC sales include sales to certain export and trading companies which assist us in exporting our products to our CMS customers overseas. For the two years ended 31 December 2017 and the year ended 31 December 2018, we sold our CMS products to two and three major export and trading companies in the PRC, respectively, which then exported our products primarily to Japan. For the three years ended 31 December 2018, among our sales to these major export and trading companies, approximately HK\$21.5 million, HK\$22.2 million and HK\$27.8 million were related to our CMS customers in Japan. Based on the aforesaid and our sales in Japan (based on the locations of the registered offices of our customers), our total sales in Japan amounted to approximately HK\$127.8 million, HK\$100.3 million and HK\$104.5 million, representing approximately 24.3%, 19.3% and 17.1% of our revenue, respectively.

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2. Asia includes Hong Kong, Taiwan, India, the Philippines, Vietnam, Bengal, Sri Lanka, Pakistan, Indonesia, Nepal and Singapore. For the three years ended 31 December 2018, among the revenue generated from Asia, approximately HK\$26.2 million, HK\$20.8 million and HK\$5.1 million were derived from sales to European Asia Industrial which represented indent sales to a customer in the United States. Based on the aforesaid and our sales in America (based on the locations of the registered offices of our customers), our total sales in America amounted to approximately HK\$29.7 million, HK\$25.8 million and HK\$63.4 million, representing approximately 5.6%, 5.0% and 10.4% of our revenue, respectively.
3. Middle East includes Israel, Afghanistan, Turkey, Saudi Arabia, United Arab Emirates, Iraq, Lebanon, Yemen, Kuwait and Iran.
4. America includes the United States, Haiti, Chile, Columbia, Peru and Canada. Please refer to note 2 above for more details about the indent sales to a customer in the United States.
5. Others includes South Africa, Russia, Australia, Germany, Bulgaria, New Zealand, Greece and United Kingdom.

As shown in the table above, our revenue derived from the PRC amounted to approximately HK\$362.8 million, HK\$385.9 million and HK\$437.3 million for the three years ended 31 December 2018, respectively.

Given (i) the intense competition in the CMS market in the PRC; (ii) that a majority of our overseas sales was related to sales of our CMS products (other than personal care products) which entailed lower gross profit margins in general; and (iii) the higher gross profit margins of our PRC sales, in particular sales of our OBM products and personal care products, as compared to our overseas sales in general, our revenue generated from the PRC market showed an increasing trend during the Track Record Period. As advised by our Directors, in light of the higher profitability achieved by our PRC sales, compared to overseas sales of our CMS products, we seek to maximise our profit by expanding sales of our OBM products and personal care products in the PRC. We started to expand overseas sales of our OBM products in recent years but the revenue contribution of our OBM overseas sales was still relatively small during the Track Record Period.

During the Track Record Period, Japan was the top overseas markets of our products, accounting for approximately 20.2%, 15.1% and 12.6% of our revenue, respectively. For the two years ended 31 December 2017 and the year ended 31 December 2018, we sold our CMS products to two and three major export and trading companies in the PRC, respectively, which then exported our products primarily to Japan. For the three years ended 31 December 2018, among our sales to these major export and trading companies, approximately HK\$21.5 million, HK\$22.2 million and HK\$27.8 million were related to our CMS customers in Japan. Based on the aforesaid and our sales in Japan (based on the locations of the registered offices of our customers), our total sales in Japan amounted to approximately HK\$127.8 million, HK\$100.3 million and HK\$104.5 million, representing approximately 24.3%, 19.3% and 17.1% of our revenue, respectively. The decrease in revenue generated from Japan for the year ended 31 December 2017 was primarily due to the decrease in sales orders received from a major CMS customer due to intense competition. The revenue generated from this CMS customer decreased by approximately 57.0% from approximately HK\$21.7 million for the year ended 31 December 2016 to approximately HK\$9.3 million for the year ended 31 December 2017. The revenue generated from this CMS customer for the year ended 31 December 2018 amounted to approximately HK\$9.1 million, which did not materially fluctuate as compared to that in 2017.

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Our sales generated from America significantly increased from approximately HK\$5.0 million for the year ended 31 December 2017 to approximately HK\$58.3 million for the year ended 31 December 2018, primarily attributable to the increase in purchase by our major CMS customer in the United States of our personal care products in response to the increase in sales orders from its customers. For the three years ended 31 December 2018, we also sold our CMS products to European Asia Industrial, a company wholly-owned by Mr. Lin, which in turn sold the products to such CMS customer, and such sales would be recorded as revenue generated from Asia. Since the first half of 2018, we had not sold any CMS products to European Asia Industrial and sales were derived between our Group and this CMS customer. As a result, for the year ended 31 December 2018, revenue generated from Asia decreased by approximately 31.6% as compared to the previous year given the decrease in sales generated from European Asia Industrial from approximately HK\$20.8 million in 2017 to approximately HK\$5.1 million in 2018.

Overall revenue

As a result of the forgoing, our revenue (i) decreased by approximately 1.6% to approximately HK\$518.4 million for the year ended 31 December 2017 as compared to the previous year; and (ii) increased by approximately 17.8% to approximately HK\$610.9 million for the year ended 31 December 2018 as compared to the previous year.

Cost of sales

Our cost of sales primarily consists of raw material costs, direct labour cost and manufacturing overhead. Our raw materials mainly include solvents, aerosol cans (including tinplate and aluminum cans) and packaging materials (such as dip-tubes, valves and paper-boxes). Direct labour cost consists of wages of workers who are directly involved in production. Manufacturing overhead costs consist of manufacturing costs such as wages of staff who are not directly involved in production such as procurement personnel and depreciation. Our major raw materials are predominantly sourced from our PRC suppliers.

The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of cost of sales	HK\$'000	% of cost of sales	HK\$'000	% of cost of sales
Raw material costs	304,517	87.7%	324,915	87.6%	395,500	87.3%
Direct labour cost	16,976	4.9%	19,655	5.3%	26,000	5.7%
Manufacturing overhead costs	25,721	7.4%	26,334	7.1%	31,804	7.0%
Total	347,214	100.0%	370,904	100.0%	453,304	100.0%

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For the year ended 31 December 2017, our cost of sales increased by approximately 6.8% to approximately HK\$370.9 million as compared to the previous year, primarily attributable to the increase in raw material costs, in particular the costs of purchase of solvents and packaging materials.

For the year ended 31 December 2018, our cost of sales increased by approximately 22.2% to approximately HK\$453.3 million as compared to the previous year, primarily attributable to the increase in raw material costs, in particular the major solvents used in our Group's production process.

Gross profit and gross profit margin

The tables below set forth the breakdowns of our gross profit and gross profit margin by product categories, business models and geographical locations during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Automotive beauty and maintenance products	169,559	35.6%	130,787	29.1%	120,650	25.1%
Personal care products	8,750	19.7%	14,396	24.3%	36,302	28.8%
Other products (<i>Note</i>)	<u>1,332</u>	22.0%	<u>2,294</u>	24.4%	<u>608</u>	12.9%
Total	<u>179,641</u>	34.1%	<u>147,477</u>	28.4%	<u>157,560</u>	25.8%

Note: "Other products" include household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

	Year ended 31 December					
	2016		2017		2018	
	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
OBM products	120,746	39.8%	97,896	31.9%	92,303	28.8%
CMS products						
- personal care products	8,750	19.7%	14,396	24.3%	36,302	28.8%
- other CMS products	<u>50,120</u>	28.0%	<u>35,134</u>	23.2%	<u>28,952</u>	17.7%
	58,870	26.4%	49,530	23.5%	65,254	22.5%
Others	<u>25</u>	10.8%	<u>51</u>	16.0%	<u>3</u>	2.6%
Total	<u>179,641</u>	34.1%	<u>147,477</u>	28.4%	<u>157,560</u>	25.8%

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	Year ended 31 December					
	2016		2017		2018	
	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
PRC	140,949	38.9%	124,691	32.3%	130,875	29.9%
Overseas markets	38,692	23.6%	22,786	17.2%	26,685	15.4%
Total	<u>179,641</u>	34.1%	<u>147,477</u>	28.4%	<u>157,560</u>	25.8%

Overall gross profit margins

During the Track Record Period, our gross profit margin was largely affected by our sales performance, our costs of purchase of raw materials (including solvents and packaging materials), product mix and changes in the selling prices of our OBM products. For details of the major factors affecting our profitability, please refer to the section headed “Financial information — Key factors affecting our results of operations” in this listing document.

Our gross profit margin decreased from approximately 34.1% for the year ended 31 December 2016 to approximately 28.4% for the year ended 31 December 2017, primarily attributable to (i) the increase in our costs of purchase of solvents caused by the increase in the price of global crude oil as well as packaging materials; and (ii) the intense competition in the PRC.

According to the CIC Report, despite the decrease in the average market price of solvent oil, the average market prices of propane and DME increased from RMB3,372.4 and RMB2,835.0 per tonne in 2016 to RMB4,240.7 and RMB3,715.7 per tonne in 2017, representing an increase of approximately 25.7% and 31.1%, respectively. As for packaging materials, the costs of purchasing aluminum cans and tinplate cans, the major raw materials for the production of aerosol products, increased by approximately 14.2% and 20.0%, respectively, from 2016 to 2017.

Our gross profit margin decreased from approximately 28.4% for the year ended 31 December 2017 to approximately 25.8% for the year ended 31 December 2018, primarily attributable to the increase in our costs of purchase of solvents caused by the general increase in raw material costs, in particular the major solvents used in our Group’s production process, which was partially offset by (i) the increase in sales of our personal care products which entailed relatively high gross profit margins; and (ii) the general increase in the selling prices of a majority of our OBM products since May 2018.

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Gross profit margins by products

Automotive beauty and maintenance products

The gross profit margin of our automotive beauty and maintenance products decreased to approximately 29.1% for the year ended 31 December 2017, primarily attributable to (i) the increase in our costs of purchase of solvents caused by the increase in the price of global crude oil; and (ii) the loss of our sales from a major CMS customer in Japan due to intense competition.

The gross profit margin of our automotive beauty and maintenance products decreased to approximately 25.1% for the year ended 31 December 2018, primarily attributable to the general increase in raw material costs, in particular the major solvents used in our Group's production process.

Personal care products

The number of customers (in particular domestic customers) and sales volume^(Note 1) of our personal care products (on an OEM basis and ODM basis) gradually increased during the Track Record Period. For the three years ended 31 December 2018, the number of customers of our personal care products was 47, 58 and 64^(Note 2), and our aggregate sales volume (on both OEM and ODM basis) was approximately 11.2 million, 15.7 million and 31.0 million, respectively. Among such, our sales volume of personal care products on an OEM basis was approximately 10.9 million, 14.8 million and 29.4 million, and our sales volume of personal care products on an ODM basis was approximately 0.3 million, 0.9 million and 1.6 million, respectively, for the three years ended 31 December 2018. Given (i) the economies of scale arising from our increasing number of customers and sales volume particularly from our major customer in the United States; (ii) that we provided more contract manufacturing service where the raw materials are partly provided by our CMS customers, which generally entailed relatively high gross profit margins given the lower base of revenue that could be charged to such CMS customers as they provided part of the required raw materials; and (iii) that we started to sell more personal care products which required us to provide product formulae and specifications to our CMS customers from which we could charge a higher margin, the gross profit margin of our personal care products was on an increasing trend during the Track Record Period from approximately 19.7% for the year ended 31 December 2016 to approximately 28.8% for the year ended 31 December 2018.

According to the CIC Report, total sales revenue (in terms of ex-factory price) of manufacturing of aerosol products used in the personal care products market in the PRC increased at a CAGR of approximately 13.6% from 2014 to 2018 and is expected to continue increasing at a CAGR of approximately 10.1% from 2018 to 2023, indicating the market potential for the personal care products in the PRC.

Note 1: We sell a diversity of products and our products are sold in various volumes (such as box, bottle and can). A unit of product sold refers to a single item (such as a bottle and a can) or a bundle of items packaged as a set (such as a box).

Note 2: A customer who purchased on both OEM basis and ODM basis during the relevant period was accounted as one customer.

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Gross profit margins by business models and geographical locations

During the Track Record Period, the gross profit margins of our OBM products were generally higher than those of our CMS products (except personal care products for the year ended 31 December 2018). The fluctuations of the gross profit margins of our OBM products and other CMS products were primarily due to the fluctuations of our costs of purchase of raw materials. As a result of (i) the increase in our costs of purchase of solvents caused by the increase in the price of global crude oil; and (ii) the loss of our sales from a major CMS customer in Japan due to intense competition, the gross profit margin of our other CMS products decreased from approximately 28.0% for the year ended 31 December 2016 to approximately 23.2% for the year ended 31 December 2017. The further decrease in the gross profit margin of our other CMS products to approximately 17.7% for the year ended 31 December 2018 was primarily due to the general increase in our raw material costs during the year. Given that a majority of our overseas sales is related to our CMS products (other than personal care products), our PRC sales generally enjoy a higher gross profit margin as compared to our overseas sales.

Other income and other gains

Our other income and gains primarily consisted of income from provision of R&D design service to our CMS customers, net foreign exchange differences and government grants which represented cash payments and subsidies provided by the local government authorities to our Group as an encouragement for our technological innovation and overseas sales.

The following table sets forth a breakdown of our other income and gains during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of scrape 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
	<u>17,060</u>	<u>7,659</u>	<u>15,603</u>

Note: “Others” includes income arising from the transfer of trademarks and rental income.

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Our other income and gains decreased by approximately 55.1% to approximately HK\$7.7 million for the year ended 31 December 2017 as compared to the previous year. This was mainly attributable to (i) the absence of a net foreign exchange gain as a net foreign exchange loss was incurred as a result of the appreciation of RMB against USD; (ii) the decrease in income from R&D design of approximately HK\$2.3 million primarily due to the decrease in our overseas sales and therefore our R&D service income generated from our overseas customers; and (iii) the decrease in government grants of approximately HK\$2.0 million which were one-off in nature.

Our other income and gains increased by approximately 103.7% to approximately HK\$15.6 million as compared to the previous year. This was mainly attributable to (i) the net foreign exchange gain of approximately HK\$4.9 million given the depreciation of RMB against USD whereas a net foreign exchange loss was incurred in the previous year; (ii) the increase in government grants of approximately HK\$0.9 million which were one-off in nature; (iii) the increase in service income of approximately HK\$0.7 million received from a vendor for displaying its products at the trade fairs and exhibitions held by our Group; and (iv) the increase in income from R&D design of approximately HK\$0.6 million primarily due to the provision of more R&D design services to certain overseas customers.

Selling and distribution expenses

Our selling and distribution expenses primarily consist of transportation expenses for distribution of products to our customers, staff salary, welfare and bonuses attributable to our staff engaged in sales and marketing activities, advertising expenses travelling expenses, exhibition fees and entertainment expenses.

The following table sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Transportation expenses	23,232	4.4%	23,251	4.5%	19,852	3.2%
Staff salary, welfare and bonuses	8,848	1.6%	8,869	1.7%	10,303	1.7%
Advertising expenses	9,855	1.9%	6,196	1.2%	4,824	0.8%
Travelling expenses	3,039	0.6%	3,379	0.7%	3,378	0.5%
Exhibition fees	2,262	0.6%	1,983	0.4%	2,380	0.4%
Entertainment expenses	2,121	0.4%	707	0.1%	582	0.1%
Office expenses	648	0.1%	852	0.2%	1,237	0.2%
Customs clearance fees	329	0.1%	205	0.0%	1,625	0.3%
Insurance fees	185	0.0%	283	0.0%	578	0.1%
Other expenses	860	0.2%	622	0.1%	366	0.1%
Total	51,015	9.7%	46,347	8.9%	45,125	7.4%

Note: "Other expenses" includes courier fee and depreciation and amortisation expenses.

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For the year ended 31 December 2017, our selling and distribution expenses decreased by approximately 9.2% to approximately HK\$46.3 million as compared to the previous year. This was mainly attributable to (i) the decrease in advertising expenses of approximately HK\$3.7 million due to the decrease in the number of pop music concert sponsorships held during the year; and (ii) the decrease in entertainment expenses of approximately HK\$1.4 million for cost saving purpose in view of the decrease in revenue.

Our selling and distribution expenses decreased by approximately 2.6% to approximately HK\$45.1 million for the year ended 31 December 2018 as compared to the previous year. This was mainly attributable to (i) the decrease in transportation expenses of approximately HK\$3.4 million as a result of the discount granted by one of our delivery service providers in February 2018; and (ii) the decrease in advertising expense of approximately HK\$1.4 million as a result of the decrease in pop music concert sponsorship fees, which were partially offset by (i) the increase in staff salary, welfare and bonuses of approximately HK\$1.4 million primarily due to the increase in sales commission during the year; (ii) the increase in customs clearance fees of approximately HK\$1.4 million primarily due to the increase in shipping fees as a result of the increase in our overseas sales; and (iii) the increase in exhibition fees of approximately HK\$0.4 million primarily due to the exhibition held for promoting our products in June 2018.

Administrative expenses

Our administrative expenses primarily consist of other taxes and surcharges, staff salary, welfare and bonuses for our administrative staff and Directors' remuneration, professional fees and depreciation expenses.

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December					
	2016	% of	2017	% of	2018	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Other taxes and surcharges	9,393	1.8%	8,934	1.7%	8,402	1.4%
Staff salary, welfare and bonuses	9,600	1.8%	11,014	2.1%	7,001	1.2%
Professional fees	2,644	0.5%	3,854	0.7%	13,821	2.3%
Depreciation expenses	2,067	0.4%	2,678	0.5%	3,243	0.5%
Decoration and maintenance expenses	1,038	0.2%	625	0.1%	1,148	0.2%
Office expenses	559	0.1%	801	0.2%	748	0.1%
Bank charges	186	0.0%	238	0.0%	1,699	0.3%
Travelling expenses	815	0.2%	805	0.2%	826	0.2%
Insurance expenses	365	0.0%	369	0.0%	340	0.0%
Entertainment expenses	518	0.1%	812	0.2%	373	0.0%
Utility expenses	419	0.1%	373	0.1%	408	0.0%
Rental expenses	457	0.1%	429	0.1%	128	0.0%
Other expenses	2,513	0.5%	925	0.2%	910	0.2%
Total	30,574	5.8%	31,857	6.1%	39,047	6.4%

Note: "Others expenses" includes conference fees, training expenses, recruitment fees and sundry expenses in relation to the establishment of Euro Asia Japan in January 2016.

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Our administrative expenses increased by approximately 4.2% to approximately HK\$31.9 million for the year ended 31 December 2017 as compared to the previous year. This was mainly attributable to (i) the increase in staff costs of approximately HK\$1.4 million primarily due to the increase in both average salary and number of administrative staff as well as the upward adjustment on the contribution ratio of social insurance; and (ii) the increase in professional fees of approximately HK\$1.2 million primarily due to the increase in audit fees and consultancy fees. Such increase was partially offset by the decrease in other expenses of approximately HK\$1.6 million mainly as a result of the decrease in sundry expenses in relation to the establishment of Euro Asia Japan.

Our administrative expenses increased by approximately 22.6% to approximately HK\$39.0 million for the year ended 31 December 2018 as compared to the previous year. This was mainly attributable to (i) the increase in professional fees of approximately HK\$10.0 million primarily due to the preparation of the Spin-off; and (ii) the increase in bank charges of approximately HK\$1.5 million in relation to bank facilities for the purpose of the acquisition of Guangzhou Euro Asia, which was one-off in nature. Such increase was partially offset by the decrease in staff salary, welfare and bonuses of approximately HK\$4.0 million mainly due to the decrease in the number of administrative staff for cost saving purpose.

Research and development expenses

Our research and development expenses primarily consist of material costs, staff salary, welfare and bonuses for our R&D personnel, and depreciation expenses.

The following table sets forth a breakdown of our research and development expenses during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Material costs	11,355	2.2%	12,097	2.3%	13,879	2.2%
Staff salary, welfare and bonuses	4,406	0.8%	4,490	0.9%	6,048	1.0%
Depreciation expenses	1,894	0.4%	1,495	0.3%	1,154	0.2%
Other expenses	1,274	0.2%	759	0.1%	1,129	0.2%
Total	18,929	3.6%	18,841	3.6%	22,210	3.6%

Note: "Other expense" includes patent fee, technical service fee, design fee, testing fee, entertainment expense, travelling expense and telephone expense.

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Our research and development expenses were relatively stable for the two years ended 31 December 2017.

Our research and development expenses increased by approximately 17.9% to approximately HK\$22.2 million as compared to the previous year, primarily attributable to (i) the increase in material costs of approximately HK\$1.8 million as a result of the increase in the cost of raw materials purchased for our research and development projects; and (ii) the increase in staff salary, welfare and bonuses mainly due to the increase in both number and average salary of research and development personnel.

Other expenses

Other expenses primarily comprise impairment of trade receivables, product scrap, loss on disposal of fixed assets and net foreign exchange loss on bank deposits and trade receivables denominated in USD.

The following table sets forth a breakdown of our other expenses during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Impairment of trade receivables	512	0.1%	960	0.2%	770	0.1%
Impairment of inventories	—	—	—	—	1,213	0.2%
Product scrap	780	0.1%	865	0.2%	653	0.1%
Loss on disposal of fixed assets	90	0.0%	127	0.0%	166	0.0%
Net foreign exchange loss	—	0.0%	4,750	0.9%	—	—
Others	340	0.1%	516	0.1%	352	0.1%
Total	<u>1,722</u>	<u>0.3%</u>	<u>7,218</u>	<u>1.4%</u>	<u>3,154</u>	<u>0.5%</u>

Note: “Others” includes donations and compensation for product defect.

Our other expenses increased to approximately HK\$7.2 million for the year ended 31 December 2017 as compared to the previous year, primarily due to the net foreign exchange loss of approximately HK\$4.8 million for the year given the depreciation of USD.

Our other expenses decreased by approximately 56.3% to approximately HK\$3.2 million for the year ended 31 December 2018 as compared to the previous year, primarily due to the absence of net foreign exchange loss in current year, which was partially offset by the impairment of inventories of approximately HK\$1.2 million during the year.

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Finance costs

Our finance costs represented interest on bank borrowings repayable within five years during the Track Record Period.

For the two years ended 31 December 2017, we recorded decreasing finance costs due to repayment of certain of our bank borrowings.

Our finance costs increased from approximately HK\$0.5 million for the year ended 31 December 2017 to approximately HK\$2.0 million for the year ended 31 December 2018, primarily due to the interest on the bank borrowings used to finance the acquisition of Guangzhou Euro Asia in March 2018.

Income tax expense

Our income tax expense consists of current and deferred income tax expenses. Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits arising in Hong Kong for the Track Record Period.

The PRC

Pursuant to the EIT Law and the respective regulations, our subsidiaries operating in the PRC are subject to a corporate income tax rate of 25% on the taxable income. Preferential tax treatment is available to our PRC operating subsidiary, Guangzhou Botny, since it was recognised as a High-tech enterprise and was entitled to a preferential tax rate of 15% during the Track Record Period.

For the three years ended 31 December 2018, our income tax expense amounted to approximately HK\$22.2 million, HK\$9.4 million and HK\$14.7 million, respectively. Our effective income tax rate was approximately 23.9%, 18.7% and 23.8% for the three years ended 31 December 2018, respectively. Our effective income tax rates for the three years ended 31 December 2018 were higher than the reduced EIT rate primarily because of the effect of withholding tax on distributable profits of Guangzhou Botny and the tax losses not recognised.

Profit for the year

As a result of the foregoing, our profit attributable to equity holders of our Company amounted to approximately HK\$69.4 million, HK\$39.2 million and HK\$41.7 million for the three years ended 31 December 2018, respectively. Our net profit margins, being profit attributable to equity holders of our Company divided by our revenue, were approximately 13.2%, 7.6% and 6.8% for the three years ended 31 December 2018, respectively.

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Other comprehensive income/(loss)

Our other comprehensive income/(loss) represents exchange differences on translation of foreign operations of our Group, primarily because the assets and liabilities of certain of our overseas subsidiaries which were denominated in currencies other than Hong Kong Dollars were translated into Hong Kong Dollars at the exchange rates prevailing as at the end of the respective years and the statements of profit or loss and other comprehensive income of such overseas subsidiaries were translated into Hong Kong Dollars at the weighted average exchange rates for the respective years during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Historically, our major source of liquidity was derived from our cash flows generated from operating activities, bank borrowings and advances from related parties. Our major uses of liquidity are to fund our purchase of raw materials, purchases of property, plant and equipment in relation to our production facilities, payment of staff salaries and general and administrative expenses. The following table sets forth a summary of our combined cash flows during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Net cash flows generated from operating activities	91,223	23,351	72,826
Net cash flows used in investing activities	(12,486)	(8,662)	(116,687)
Net cash flows from/(used in) generated from financing activities	(80,676)	(23,897)	93,315
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 the year	107,286	100,075	99,779
Cash and cash equivalents at end of year	100,075	99,779	142,492

Net cash flows from operating activities

Our cash flows from operating activities primarily consisted of receipt of payments for the design, development, manufacture and sale of our products. Our cash outflows were primarily related to raw material purchases, payment of production cost, selling and distribution cost, administrative cost and research and development cost.

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For the year ended 31 December 2018, we recorded net cash inflows from operating activities of approximately HK\$72.8 million, consisting of approximately HK\$85.9 million in cash generated from operations less approximately HK\$13.1 million of tax paid (inclusive of withholding tax of approximately HK\$1.8 million and income tax of approximately HK\$11.3 million). Cash generated from operations primarily reflected the profit before tax of approximately HK\$61.6 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital was mainly attributable to the decrease in prepayments, deposits and other receivables of approximately HK\$4.1 million primarily resulting from the decrease in purchases which required prepayment before delivery of raw materials from a supplier and the decrease in prepaid advertising and promotional expenses, the decrease in trade and bills receivable of approximately HK\$2.5 million primarily resulting from the decrease in trade receivables with our CMS customers, the increase in deferred income of approximately HK\$2.3 million in relation to government grants and the increase in trade and bills payable of approximately HK\$1.3 million primarily due to the general increase in raw material prices. Such increase was partially offset by the increase in inventories of approximately HK\$3.7 million primarily due to the general increase in our revenue and therefore our inventory level to accommodate such growth and the decrease in other payables and accruals and contract liabilities of approximately HK\$1.9 million primarily due to the partial settlement of the accrued delivery charges.

For the year ended 31 December 2017, we recorded net cash inflows from operating activities of approximately HK\$23.4 million, consisting of approximately HK\$36.9 million in cash generated from operations less approximately HK\$13.5 million of tax paid (inclusive of withholding tax of approximately HK\$1.5 million and income tax of approximately HK\$12.0 million). Cash generated from operations primarily reflected the profit before tax of approximately HK\$50.4 million, as adjusted for income statement items with no operating cash effect and decrease in working capital. The decrease in working capital was mainly attributable to the increase in inventories of approximately HK\$12.3 million primarily due to the increase in raw materials, in particular packaging materials, and finished goods to accommodate our business expansion and the effect of currency translation, the increase in trade and bills receivables of approximately HK\$9.4 million primarily due to the increase in our PRC sales and therefore our trade receivables with our PRC customers, the increase in prepayments, deposits and other receivables of approximately HK\$5.3 million mainly due to the purchase from one of our new suppliers in 2017 which demanded payment before delivery of raw materials as well as the prepaid advertising and promotional expenses incurred for our online sales, and the decrease in trade and bills payables of approximately HK\$2.6 million.

For the year ended 31 December 2016, we recorded net cash inflows from operating activities of approximately HK\$91.2 million, consisting of approximately HK\$114.4 million in cash generated from operations less approximately HK\$23.2 million of tax paid (inclusive of withholding tax of approximately HK\$7.1 million and income tax of approximately HK\$16.1 million). Cash generated from operations primarily reflected the profit before tax of approximately HK\$92.7 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital was mainly attributable to the increase in trade and bills payables of approximately HK\$6.0 million primarily as a result of our business growth and the increase in other payables and accruals and contract liabilities of approximately HK\$6.3 million mainly reflects accrued delivery charges, the amount of which depends on the timing of settlement and the status at year end and the increase in accrued advertising and promotional expenses resulting from our increased sales and promotional activities for our products. This was partially offset by the increase

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in inventories of approximately HK\$3.9 million primarily due to the increase in raw material and finished goods resulting from general increase in our revenue and the increase in trade and bills receivable of approximately HK\$2.6 million primarily due to the increase in sales of our OBM products.

Net cash flows used in investing activities

Our cash flows used in investing activities primarily consisted of our purchase of property, plant and equipment and acquisition of Guangzhou Euro Asia. Our cash inflow from investing activities primarily resulted from the decrease in the balance of deposits pledged to banks for our acceptance bills and letters of credit. Our bank acceptance bills and letters of credit were for the purpose of settling the bills issued by our suppliers.

For the year ended 31 December 2018, our net cash flows used in investing activities was approximately HK\$116.7 million, which was mainly attributable to the consideration for our acquisition of Guangzhou Euro Asia on 29 March 2018 of HK\$90.0 million and our purchase of property, plant and equipment of approximately HK\$27.8 million.

For the year ended 31 December 2017, our net cash flows used in investing activities was approximately HK\$8.7 million, which was mainly attributable to our purchase of property, plant and equipment of approximately HK\$11.7 million. This was partially offset by the decrease in pledged deposits of approximately HK\$2.8 million.

For the year ended 31 December 2016, our net cash flows used in investing activities was approximately HK\$12.5 million, which was mainly attributable to our purchase of property, plant and equipment of approximately HK\$11.5 million.

Net cash flows from financing activities

Our cash flows used in financing activities primarily consists of repayment of bank loans and payments of dividends and interest expenses. Our cash inflows from financing activities primarily consisted of proceeds from bank loans.

For the year ended 31 December 2018, our net cash flows from financing activities was approximately HK\$93.3 million, primarily due to the proceeds of new bank loans of HK\$90.0 million used for the acquisition of Guangzhou Euro Asia in March 2018 and the decrease in amounts due from related parties of approximately HK\$23.6 million, which were partially offset by the repayment of existing bank loans of approximately HK\$18.6 million.

For the year ended 31 December 2017, our net cash flows used in financing activities was approximately HK\$23.9 million, primarily due to repayment of bank loans of approximately HK\$22.4 million, payment of an interim dividend of approximately HK\$9.5 million to European Asia Industrial that owned the entire issued share capital of Guangzhou Euro Asia at that time and the decrease in amounts due to related parties of approximately HK\$5.6 million, which were partially offset by the decrease in amount due from related parties of approximately HK\$10.5 million and proceeds of new bank loans of approximately HK\$3.6 million.

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For the year ended 31 December 2016, our net cash flows used in financing activities was approximately HK\$80.7 million, primarily resulting from the settlement of amounts due to related parties which was mainly due to the partial settlement of an advance from China Aluminum Cans for funding the USD10.0 million capital injection in Guangzhou Botny by Botny in 2015, and repayment of bank loans of approximately HK\$ 13.8 million, which was partially offset by proceeds of new bank loans of approximately HK\$3.3 million.

NET CURRENT ASSETS

The following table shows our Group's current assets and liabilities as at the dates indicated below:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Current assets				
Inventories	42,129	54,447	56,962	65,347
Trade and bills receivables	34,091	42,487	39,242	53,782
Prepayments, deposits and other receivables	42,937	37,780	10,099	18,245
Pledged bank deposits	8,232	5,417	4,930	5,045
Cash and cash equivalents	100,075	99,779	142,492	123,032
Total current assets	227,464	239,910	253,725	265,451
Current liabilities				
Trade and bills payables	69,892	67,300	68,590	77,345
Other payables and accruals	52,815	47,830	29,204	28,375
Interest-bearing bank borrowings	16,565	3,602	—	15,000
Deferred income	—	—	228	233
Contract liabilities	11,543	10,900	11,717	11,576
Tax payable	3,861	374	3,494	2,155
Total current liabilities	154,676	130,006	113,233	134,684
Net current assets	72,788	109,904	140,492	130,767

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We had net current assets of approximately HK\$72.8 million, HK\$109.9 million, HK\$140.5 million and HK\$130.8 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Such change was primarily attributable to the operating profit incurred for each year of the Track Record Period and the factors as elaborated below.

Our net current assets position increased from approximately HK\$72.8 million as at 31 December 2016 to approximately HK\$109.9 million as at 31 December 2017, representing an increase of approximately HK\$37.1 million or 51.0%. The significant increase was mainly attributable to (i) the decrease in total current liabilities from approximately HK\$154.7 million as at 31 December 2016 to approximately HK\$130.0 million as at 31 December 2017, primarily due to the decrease in interest-bearing bank borrowings of approximately HK\$13.0 million and other payables and accruals of approximately HK\$5.0 million mainly due to the settlement of the amounts due to related parties; and (ii) the increase in our total current assets from approximately HK\$227.5 million as at 31 December 2016 to approximately HK\$239.9 million as at 31 December 2017, primarily due to increase in inventories of approximately HK\$12.3 million mainly resulting from the appreciation of RMB against HK\$, the increase in purchase of packaging materials and the increase in our costs of purchase of raw materials.

Our net current assets position increased from approximately HK\$109.9 million as at 31 December 2017 to approximately HK\$140.5 million as at 31 December 2018, representing an increase of approximately HK\$30.6 million or 27.8%. The increase was mainly attributable to (i) the increase in our total current assets from approximately HK\$239.9 million as at 31 December 2017 to approximately HK\$253.7 million as at 31 December 2018, primarily due to the increase in our cash and cash equivalents of approximately HK\$42.7 million mainly resulting from the increase in sales of our personal care products in the PRC, which was partially offset by the decrease in prepayments, deposits and other receivables of approximately HK\$27.7 million mainly attributable to the settlement of amounts due from related parties; and (ii) the decrease in our total current liabilities from approximately HK\$130.0 million as at 31 December 2017 to approximately HK\$113.2 million as at 31 December 2018, primarily due to the decrease in other payables and accruals of approximately HK\$18.6 million mainly resulting from the settlement of amounts due to related parties and the partial settlement of accrued delivery charges.

Our net current assets position decreased by approximately HK\$9.7 million or 6.9% to approximately HK\$130.8 million as at 30 April 2019. This was primarily attributable to the decrease in cash and cash equivalents and the increase in trade and bills payables as well as bank borrowings classified as current liabilities, which were partially offset by the increase in inventories and trade and bills receivables.

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DESCRIPTION OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

Property, plant and equipment

The following table sets forth a breakdown of property, plant and equipment as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Buildings	72,371	71,955	60,067
Plant and machinery	11,467	14,261	17,759
Office and other equipment	5,507	5,278	7,808
Construction in progress	3,402	4,497	4,373
Motor vehicles	1,847	1,544	14,000
Total	94,594	97,535	104,007

Our property, plant and equipment mainly comprised of our Group's various buildings and structures for industrial and commercial uses, including offices, production facilities, warehouses and staff quarters, plants and machinery for production use and construction in progress during the Track Record Period. As at 31 December 2016, 2017 and 2018, our property, plant and equipment were approximately HK\$94.6 million, HK\$97.5 million and HK\$104.0 million, respectively. The fluctuation during the Track Record Period was primarily the combined effect of the currency movement between HK\$ and RMB, repair and maintenance work on our buildings, purchase of plant and machinery, office and other equipment, and motor vehicles, upgrade of construction work and depreciation.

Inventories

The following table sets forth a summary of our total inventories as at the dates indicated:

	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

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Our inventories primarily consist of raw materials, which principally include solvents, aerosol cans (including tinplate and aluminum cans) and packaging materials, and finished goods, which principally include automotive beauty and maintenance products and personal care products.

Our inventories increased by approximately 29.2% from approximately HK\$42.1 million as at 31 December 2016 to approximately HK\$54.4 million as at 31 December 2017. This was primarily attributable to the increase in raw materials and finished goods mainly due to the appreciation of RMB against HK\$ at the end of the year, the increase in purchase of packaging materials and the increase in our costs of purchase of solvents caused by the increase in the prices of global crude oil as well as packaging materials.

Our inventories increased slightly by approximately 4.6% to approximately HK\$57.0 million as at 31 December 2018, primarily due to our general increase in revenue derived from our automotive beauty and maintenance products and personal care products during the year.

The table below sets out our average inventory turnover days during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
Average inventory turnover days ⁽¹⁾ (days)	42	48	45

Note 1: Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the year, divided by the cost of sales for that year, multiplied by 365 days.

For the three years ended 31 December 2018, our inventory turnover days were approximately 42 days, 48 days and 45 days, respectively. Our average inventory turnover days increased slightly to 48 days for the year ended 31 December 2017 as compared to the previous year, mainly attributable to the increase in our costs of purchase of raw materials which resulted in higher inventory value at the end of the year. Our average inventory turnover days decreased slightly to 45 days for the year ended 31 December 2018 as compared to the previous year, primarily due to our general increase in revenue which accelerated our inventory cycle.

We adopt different production planning and inventory management strategies for our OBM products and CMS products. We manufacture our OBM products on a made-to-stock basis, that is, we manufacture before our OBM customers place orders with us. On the other hand, we manufacture our CMS products on a made-to-order basis. From time to time, our customers may supply us with raw materials. We may also source raw materials directly from our suppliers. Please refer to the section headed “Business — Inventory control” in this listing document for more details of our inventory control policy.

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The following table sets forth the aging analysis for our inventories as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>
Within 90 days	28,897	36,892	41,422
91-365 days	4,921	10,867	7,673
1-2 years	1,475	2,763	3,919
Over 2 years	<u>6,836</u>	<u>3,925</u>	<u>3,948</u>
	<u>42,129</u>	<u>54,447</u>	<u>56,962</u>
Subsequent usage up to the Latest Practicable Date	37,976	46,327	39,752

Inventories aged within 90 days represented approximately 68.6%, 67.8% and 72.7% of our Group's inventories as at 31 December 2016, 2017 and 2018, respectively. The increase in inventories aged within 90 days from approximately HK\$28.9 million as at 31 December 2016 to approximately HK\$36.9 million as at 31 December 2017 primarily resulted from the effect of currency translation and the increase in our costs of purchase of raw materials which resulted in higher inventory value at the end of the year. It further increased to approximately HK\$41.4 million as at 31 December 2018 primarily due to the increase in our revenue and therefore our inventory level to accommodate our growth.

As at the Latest Practicable Date, approximately 90.1%, 85.1% and 69.8% of our inventories in the amount of approximately HK\$38.0 million, HK\$46.3 million and HK\$39.8 million as at 31 December 2016, 2017 and 2018 were subsequently sold, respectively.

As at the Latest Practicable Date, among our inventories aged within 91 to 365 day, 1 to 2 years and over 2 years as at 31 December 2018, approximately 52.7%, 20.2% and 3.3% in the amount of approximately HK\$4.0 million, HK\$0.8 million and HK\$0.1 million were subsequently sold, respectively.

We monitor and review our inventory level from time to time in order to identify obsolete or damaged stock. In general, the shelf life of our products is up to five years. On this basis, our Directors were of the view that provision for obsolete stocks was adequate during the Track Record Period. An impairment of inventories of approximately HK\$1.2 million was made for the year ended 31 December 2018. For details of our inventory control, please refer to the section headed "Business — Inventory control".

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Trade and bills receivables

The following table is a summary of our trade and bills receivables as at the dates indicated:

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

As at the Latest Practicable Date, approximately HK\$32.2 million or 82.1% of our trade and bills receivable as at 31 December 2018 was fully settled.

Our trade receivables consisted of CMS trade receivables and OBM trade receivables. The following table sets forth a breakdown of our Group's CMS trade receivables and OBM trade receivables, respectively:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
CMS	23,868	29,907	25,051
OBM	<u>9,139</u>	<u>11,341</u>	<u>12,970</u>
Total	<u>33,007</u>	<u>41,248</u>	<u>38,021</u>

CMS trade receivables

Our CMS trade receivables increased from approximately HK\$23.9 million as at 31 December 2016 to approximately HK\$29.9 million as at 31 December 2017 and decreased to approximately HK\$25.1 million as at 31 December 2018.

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OBM trade receivables

As at 31 December 2016, 2017 and 2018, our OBM trade receivables amounted to approximately HK\$9.1 million, HK\$11.3 million and HK\$13.0 million, respectively. The steady increase was in line with our Group's strategy of expanding our sales of OBM products.

Average trade receivables turnover days — OBM and CMS

The table below sets out the average turnover days of OBM trade receivables and CMS trade receivables during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
Average trade receivables turnover days ⁽¹⁾ (days)			
- OBM	9	12	14
- CMS	40	46	35

Note 1: Average trade receivables turnover days is calculated as the average of the beginning and ending trade receivables for the year, divided by our revenue for that year, multiplied by 365 days.

OBM average trade receivables turnover days:

A substantial portion of our OBM products were sold through our distributors in the PRC during the Track Record Period, and most of our PRC distributors are required to settle the payment before delivery of our OBM products. The increase in our average OBM trade receivables turnover days during the Track Record Period was mainly due to longer credit terms were granted to our customers with long term business relationship and good payment history during the Track Record Period.

As at the Latest Practicable Date, approximately HK\$11.2 million or 86.4% of our OBM trade receivables as at 31 December 2018 was fully settled.

CMS average trade receivables turnover days:

Our CMS customers are generally granted a credit period between 30 days to 120 days. The fluctuation of our CMS average trade receivables turnover days was in general due to the fluctuation of our sales during the Track Record Period.

As at the Latest Practicable Date, approximately HK\$21.0 million or 83.8% of our CMS trade receivables as at 31 December 2018 was fully settled.

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Aging analysis of our trade receivables

The following table sets forth an aging analysis of our trade receivables based on invoice dates and net of loss allowance as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	15,990	20,884	17,851
31 to 60 days	8,482	7,020	13,727
61 to 90 days	<u>2,912</u>	<u>3,484</u>	<u>1,300</u>
Sub-total	27,384	31,388	32,878
Over 90 days	<u>5,623</u>	<u>9,860</u>	<u>5,143</u>
Total	<u><u>33,007</u></u>	<u><u>41,248</u></u>	<u><u>38,021</u></u>

Our trade receivables aged within 90 days increased from approximately HK\$27.4 million as at 31 December 2016 to approximately HK\$31.4 million as at 31 December 2017 primarily due to the increase in our PRC sales in particular the sales of our personal care products. Due to the general increase in our revenue, our trade receivables aged within 90 days further increased to approximately HK\$32.9 million as at 31 December 2018.

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

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

For trade receivables, our Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Our Group has established a provision matrix that is based on our Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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An impairment analysis is performed at the year ended 31 December 2018 using a provision matrix to measure 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 our Group's trade receivables using a provision matrix:

		Past due			
	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

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As at 31 December 2016 and 2017, the aging analysis of our Group's trade receivables, based on the credit terms, that were not individually nor collectively considered to be impaired under International Accounting Standards 39 as follows:

	As at 31 December	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	24,472	27,904
Past due but not impaired		
— Less than 90 days	2,912	3,484
— Over 90 days	<u>5,623</u>	<u>9,860</u>
Total	<u><u>33,007</u></u>	<u><u>41,248</u></u>

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

Our trade receivables that were past due but not impaired relate to a number of independent customers that had a good track record with our Group. Based on our past experience, our Directors are of the opinion that no provision for impairment under International Accounting Standards 39 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.

For the three years ended 31 December 2018, we recognised impairment losses on our trade receivables in the amounts of approximately HK\$0.5 million, HK\$1.0 million and HK\$0.8 million, respectively, since we considered the possibility of recovery to be small.

Prepayments, deposits and other receivables

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current			
Prepayments for machinery and constructions	1,120	3,019	4,527
Current			
Prepayments	4,383	8,740	6,938
Tax recoverable	—	7	—
Deposits and other receivables	3,338	4,528	2,233
Amounts due from related parties	<u>35,216</u>	<u>24,505</u>	<u>928</u>
Total	<u><u>42,937</u></u>	<u><u>37,780</u></u>	<u><u>10,099</u></u>

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Our prepayments, deposits and other receivables primarily consisted of (i) prepayments for machinery and constructions which are non-current in nature; (ii) prepayments to our suppliers in relation to our purchase of raw materials; (iii) deposits and other receivables which mainly represented prepaid construction expenses, deposits for exhibitions, utility deposits, prepaid advertising and promotional expenses and prepaid delivery and installation charges in relation to our Group's machinery and equipment; and (iv) amounts due from our fellow subsidiaries controlled by our Controlling Shareholder.

Prepayments

Our prepayments increased by approximately 99.4% to approximately HK\$8.7 million as at 31 December 2017 as compared to 31 December 2016, primarily due to the purchase from one of our new suppliers in 2017 which demanded payment before delivery of raw materials. As at 31 December 2018, our prepayments amounted to approximately HK\$6.9 million, which represented a decrease of approximately 20.6% as compared to 31 December 2017, primarily due to the decrease in purchase from a supplier which required payment before delivery in 2018 which accordingly resulted in the decrease in the prepayment amounts.

Deposits and other receivables

Our deposits and other receivables increased by approximately 35.7% to approximately HK\$4.5 million as at 31 December 2017 as compared to 31 December 2016 primarily due to the prepaid advertising and promotional expenses incurred for our online sales of approximately HK\$1.2 million. Our deposits and other receivables decreased by approximately 50.7% to approximately HK\$2.2 million as at 31 December 2018 as compared to 31 December 2017 primarily due to the decrease in prepaid advertising and promotional expenses.

Amounts due from related parties

Amounts due from related parties mainly represented advances provided to fellow subsidiaries controlled by our Controlling Shareholder, which shall be fully settled before Listing.

Trade and bills payables

The following table sets forth the summary of our trade and bills payables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	41,374	40,215	43,941
Bills payables	28,518	27,085	24,649
Total	<u>69,892</u>	<u>67,300</u>	<u>68,590</u>

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Our trade payables consisted of trade payables to suppliers in relation to our purchase of raw materials such as solvents, aerosol cans, and packaging materials. As at 31 December 2016, 2017 and 2018, our trade payables amounted to approximately HK\$41.4 million, HK\$40.2 million and HK\$43.9 million, respectively. Our trade payables remained stable as at 31 December 2017, as compared to 31 December 2016. Our trade payables further increased by approximately 9.3% to approximately HK\$43.9 million as at 31 December 2018 as compared to 31 December 2017, primarily attributable to the general increase in raw material prices since 2018.

Our bills payables were issued by banks for supplier payments and remained relatively stable during the Track Record Period.

The aging analysis of our trade and bills payables based on invoice dates as at the dates indicated:

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

The credit periods granted by our Group's major suppliers normally range from 30 to 90 days.

The table below sets out the average trade and bills payables turnover days during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
Average trade and bills payables turnover days ⁽¹⁾ (days)	70	68	55

Note 1: Average trade payables turnover days is calculated as the average of the beginning and ending trade and bills payables for the year, divided by our cost of sales for that year, multiplied by 365 days.

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For the three years ended 31 December 2018, our average trade and bills payables turnover days were approximately 70 days, 68 days and 55 days, which were within the credit periods granted by our suppliers.

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
Sub-total	31,003	31,609	28,874
Due to related parties	21,812	16,221	330
Total	<u>52,815</u>	<u>47,830</u>	<u>29,204</u>

Our other payables comprised (i) salary and welfare payables; (ii) other payables and accruals, which mainly represented accrued delivery charges and advertising and promotional expenses, construction payable and other tax payable; and (iii) amounts due to related parties, which mainly represented amounts due to China Aluminum Cans, our Director and fellow subsidiaries controlled by our Controlling Shareholder.

Our salary and welfare payables and other payables and accruals did not materially fluctuate as at 31 December 2017 as compared to 31 December 2016. Our salary and welfare payables and other payables and accruals decreased by approximately 8.7% to approximately HK\$28.9 million as at 31 December 2018 as compared to 31 December 2017, primarily due to the partial settlement of the accrued delivery charges and the discount granted by such delivery services vendor since 2018.

Amounts due to related parties

Our amounts due to related parties mainly represented advances from China Aluminum Cans, our Director, namely Ms. Flora Lin, our Controlling Shareholder and our fellow subsidiaries controlled by our Controlling Shareholder, which had been fully settled as at the Latest Practicable Date.

Interest-bearing bank borrowings

As at 31 December 2016, 2017 and 2018, our Group recorded interest-bearing bank borrowings of approximately HK\$21.5 million, HK\$3.6 million and HK\$75.0 million, respectively. For details of our interest-bearing bank borrowings, please refer to the section headed “Financial Information — Indebtedness” in this listing document.

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Contract liabilities

Our contract liabilities primarily relate to the advance payments made by our customers for contracts, for which revenue is recognised when the goods are transferred and the customers have received the goods. Our contract liabilities as at 31 December 2016, 2017 and 2018 were approximately HK\$11.5 million, HK\$10.9 million and HK\$11.7 million, respectively. Our contract liabilities did not have material fluctuation during the Track Record Period.

Net assets

As at 31 December 2016 and 2017, our net assets amounted to approximately HK\$222.0 million and HK\$271.9 million, respectively, which were primarily the combined effect of our net profits, exchange differences on translation of foreign operations and dividends paid to European Asia Industrial prior to the acquisition of Guangzhou Euro Asia for the respective years. The decrease in our net assets to approximately HK\$228.4 million as at 31 December 2018 as compared to 31 December 2017 was primarily due to the cash consideration of HK\$90.0 million paid for the acquisition of Guangzhou Euro Asia in March 2018 which was recognised as a debit side of the reserves in our combined statements of changes in equity for the year ended 31 December 2018 with a corresponding credit side recorded against our Group's cash and cash equivalents. The acquisition of Guangzhou Euro Asia was accounted as a business combination under common control and was treated as if it had been completed since the beginning of the Track Record Period under the principles of merger accounting. For further details, please refer to the section headed "Appendix I — Accountants' Report — Combined statements of changes in equity" in this listing document.

Capital Expenditure

Our capital expenditure on property, plant and equipment during the Track Record Period primarily represented the purchase of motor vehicles, production machineries, delivery equipments, office equipments, computer equipments and construction and renovation of our production facilities in Guangzhou Botny and Guangzhou Euro Asia. Our incurred capital expenditure for additions of property, plant and equipment for the three years ended 31 December 2018 amounted to approximately HK\$11.0 million, HK\$9.8 million and HK\$26.3 million, respectively. The increase in the amount for the year ended 31 December 2018 was primarily due to our Group's purchases of motor vehicles during the year.

COMMITMENTS

Based on our operating cash flow, undrawn banking facilities and cash and cash equivalents position as at 31 December 2018, we are in a position to meet our contractual obligations as set out below:

Operating leases commitment

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

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The following table sets forth our future minimum lease payments under non-cancellable operating leases falling due as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	533	622	446
In the second to third years, inclusive	<u>—</u>	<u>463</u>	<u>—</u>
	<u>533</u>	<u>1,125</u>	<u>446</u>

Capital commitments

Our capital commitments during the Track Record Period were predominantly related to upgrade of our plant and production facilities.

The following table sets forth our capital commitments as at the dates indicated:

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

The capital commitments contracted but not provided for of our Group amounted to approximately HK\$0.4 million, HK\$91.0 million and HK\$4.1 million as at 31 December 2016, 2017 and 2018, respectively. The balance amounted to HK\$91.0 million as at 31 December 2017, primarily due to the acquisition of Guangzhou Euro Asia which was completed in March 2018.

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INDEBTEDNESS

The following table sets forth the components of our indebtedness as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
				(unaudited)
Current				
Bank borrowings - secured	3,349	3,602	—	—
Current portion of long term bank borrowings				
- secured	13,216	—	—	—
Bank borrowings - unsecured	—	—	—	15,000
Non-current				
Long term bank borrowings - secured	4,956	—	75,000	45,000
Total bank borrowings	21,521	3,602	75,000	60,000
Current				
Amounts due to related parties				
- China Aluminum Cans	19,201	12,381	—	—
- Euro Asia Packaging	4,053	6,933	9,459	18,356
- Hong Kong Aluminum Cans	2,611	3,840	5,939	5,946
- Ms. Flora Lin	—	—	—	—
- Mr. Lin Wan Tsang	—	—	—	—
Total	25,865	23,154	15,398	24,302

Bank borrowings

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had outstanding bank borrowings of approximately HK\$21.5 million, HK\$3.6 million, HK\$75.0 million and HK\$60.0 million, respectively. As at the close of business of 30 April 2019, we had total banking facilities of approximately HK\$156.9 million from our lending banks, of which approximately HK\$78.3 million was utilised.

Our bank borrowing decreased from approximately HK\$21.5 million as at 31 December 2016 to approximately HK\$3.6 million as at 31 December 2017 due to continued repayment of bank borrowings. In March 2018, a secured loan with principal amount of HK\$90 million, which was denominated in HK\$ with a term of three years from March 2018 bearing floating interests at 1.7% above the three-month Hong Kong interbank offered rate, was drawn down to finance the acquisition of Guangzhou Euro Asia. As at 31 December 2018, our bank borrowings amounted to HK\$75 million due to the partial repayment of HK\$15 million in November 2018.

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The following table sets forth our bank borrowings due for repayment as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
				(unaudited)
Repayable:				
Within one year or on demand	16,565	3,602	—	15,000
In the second year	4,956	—	30,000	45,000
In the third to fifth years, inclusive	—	—	45,000	—
	<u>21,521</u>	<u>3,602</u>	<u>75,000</u>	<u>60,000</u>

The following table sets forth the utilised portion and undrawn portion of our banking facilities as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
				(unaudited)
Utilised:				
Interest bearing bank borrowings	21,521	3,602	75,000	60,000
Bills payable	<u>28,518</u>	<u>27,085</u>	<u>25,673</u>	<u>18,274</u>
	50,039	30,687	100,673	78,274
Undrawn facilities				
to expire within one year	63,374	122,472	83,477	78,632
to expire over one year	<u>47,684</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>111,058</u>	<u>122,472</u>	<u>83,477</u>	<u>78,632</u>

Our Group's banking facilities amounting to approximately HK\$10.0 million, HK\$12.0 million, nil and nil as at 31 December 2016, 2017 and 2018 and 30 April 2019 were guaranteed by Mr. Lin, one of our Controlling Shareholders. Such guarantee was released with effective from 12 September 2018.

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Our Group's banking facilities amounting to approximately HK\$65.9 million, HK\$70.8 million, nil and nil as at 31 December 2016, 2017 and 2018 and 30 April 2019 were guaranteed by Euro Asia Packaging, a fellow subsidiary controlled by our Controlling Shareholder.

Our Group's banking facilities amounting to approximately HK\$85.2 million, HK\$70.3 million, HK\$172.8 million and HK\$145.3 million as at 31 December 2016, 2017 and 2018 and 30 April 2019 were guaranteed by China Aluminum Cans, a fellow subsidiary controlled by our Controlling Shareholder. Such guarantee is expected to be released and replaced by a corporate guarantee to be executed by our Company upon Listing.

Our Group's banking facilities were secured by certain assets of our Group, comprising our property, plant and equipment, prepaid land lease payments and prepayments, deposits and other receivables, with aggregate carrying values of approximately HK\$110.7 million, HK\$112.6 million, HK\$109.9 million and HK\$110.2 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

Amount due to related parties

For details, please refer to the section headed "Financial information — Description of selected combined statements of financial position line items — Other payables and accruals — Amounts due to related parties" in this listing document.

Except as disclosed in the section headed "Financial information — Indebtedness" in this listing document, our Directors confirm that our Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 April 2019, being the latest practicable date for this indebtedness statement. Our Directors further confirm that during the Track Record Period, our Group did not experience any default, delay, withdrawal or request for repayment on demand of borrowings nor did we breach any major finance covenants and that there has not been any material change in our indebtedness and contingent liabilities since 30 April 2019 and up to the Latest Practicable Date. To the best knowledge and belief of our Directors, our Group will not have difficulties in obtaining new banking facilities or renewing banking facilities after Listing. As at the Latest Practicable Date, we did not have any plan for material external debt financing.

FINANCIAL INFORMATION

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth our Group's key financial ratios for the years indicated below:

	As at 31 December		
	2016	2017	2018
Profitability ratios			
Return on total assets ⁽¹⁾ (%)	18.1	9.7	9.9
Return on equity ⁽²⁾ (%)	32.7	14.6	18.9
Liquidity ratios			
Current ratio ⁽³⁾ (times)	1.5	1.8	2.2
Quick ratio ⁽⁴⁾ (times)	1.2	1.4	1.7
Capital adequacy ratios			
Net debt to equity ratio ⁽⁵⁾ (%)	Net cash	Net cash	Net cash
Interest coverage ⁽⁶⁾ (times)	52.8	102.4	31.3
Gearing ratio ⁽⁷⁾ (%)	10.2	1.3	34.0

Notes:

1. Return on total assets is calculated based on the profit attributable to owners of our Company for the year divided by the total assets at the end of the respective year and multiplied by 100%.
2. Return on equity is calculated based on the profit attributable to owners of our Company for the year divided by the equity attributable to owners of our Company at the end of the respective year and multiplied by 100%.
3. Current ratio is calculated based on the total current assets at the end of the respective year divided by the total current liabilities at the end of the respective year.
4. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the respective year divided by the total current liabilities at the end of the respective year.
5. Net debt to equity ratio is calculated based on the net debt at the end of the respective year divided by the total equity at the end of the respective year. Net debt represents total bank borrowings net of pledged bank deposits and cash and cash equivalents.
6. Interest coverage is calculated based on the profit before interest and tax for the year divided by the interest expenses for the respective year.
7. Gearing ratio is calculated based on the total debt at the end of the respective year divided by equity attributable to owners of our Company at the end of the respective year. Total debt represents all bank borrowings.

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Return on total assets

Our return on total assets decreased from approximately 18.1% for the year ended 31 December 2016 to approximately 9.7% for the year ended 31 December 2017, primarily due to the decrease in net profit during the year, and remained stable at approximately 9.9% for the year ended 31 December 2018.

Return on equity

Our return on equity decreased from approximately 32.7% for the year ended 31 December 2016 to approximately 14.6% for the year ended 31 December 2017. Such decrease was mainly due to the increase in our total equity primarily resulting from the increase in inventories and trade and bills receivables and decrease in other payables and accruals. Our return on equity increased to approximately 18.9% for the year ended 31 December 2018 as compared to the previous year, primarily due to the decrease in our total equity primarily resulting from the increase in interest-bearing bank borrowings.

Current ratio

Our current ratio increased to approximately 1.8 times as at 31 December 2017 as compared to the previous year mainly due to the increase in our current assets primarily resulting from the increase in inventories and trade and bills receivable and the decrease in our current liabilities primarily resulting from the decrease in interest-bearing bank borrowings. Our current ratio further increased to approximately 2.2 times as at 31 December 2018 mainly due to (i) the increase in our current assets primarily resulting from the increase in cash and cash equivalents and inventories which was partially offset by the decrease in trade and bills receivables and prepayments, deposits and other receivables; and (ii) the decrease in our current liabilities primarily resulting from the decrease in other payables and accruals.

Quick ratio

Our quick ratio increased to approximately 1.4 times as at 31 December 2017 as compared to the previous year mainly due to the decrease in our current liabilities primarily resulting from the decrease in interest-bearing bank borrowings. Our quick ratio further increased to approximately 1.7 times as at 31 December 2018 mainly due to (i) the increase in our current assets primarily resulting from the increase in cash and cash equivalents which was partially offset by the decrease in trade and bills receivables and prepayments, deposits and other receivables; and (ii) the decrease in our current liabilities primarily resulting from the decrease in other payables and accruals.

Net debt to equity ratio

As at 31 December 2016, 2017 and 2018, our Group was in a net cash position.

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Interest coverage

Our interest coverage increased from approximately 52.8 times for the year ended 31 December 2016 to approximately 102.4 times for the year ended 31 December 2017. Such increase was mainly due to the decrease in interest expenses primarily resulting from the repayment of interest-bearing bank borrowings. Our interest coverage decreased to approximately 31.3 times for the year ended 31 December 2018, primarily due to the increase in interest-bearing bank borrowings.

Gearing ratio

As at 31 December 2016, 2017 and 2018, our Group recorded a gearing ratio of approximately 10.2%, 1.3% and 34.0%, respectively. The decrease of gearing ratio from 31 December 2016 to 31 December 2017 was mainly due to the repayment of interest-bearing bank borrowings. Our gearing ratio increased to approximately 34.0% as at 31 December 2018, primarily due to the increase in interest-bearing bank borrowings.

SENSITIVITY AND BREAK-EVEN ANALYSIS

Sensitivity analysis — revenue

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in revenue on our profit before income tax and profit after income tax during the Track Record Period, assuming a corporate income tax rate of 15% and holding all other variables constant. Our revenue was approximately HK\$526.9 million, HK\$518.4 million and HK\$610.9 million for the three years ended 31 December 2018, respectively. Fluctuations are assumed to be 5%, 10%, 15% and 20% for the three years ended 31 December 2018, respectively.

Changes in revenue	+20%	+15%	+10%	+5%	-5%	-10%	-15%	-20%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Decrease)/Increase in profit before income tax for 2016	105,371	79,028	52,686	26,343	(26,343)	(52,686)	(79,028)	(105,371)
(Decrease)/Increase in profit before income tax for 2017	103,676	77,757	51,838	25,919	(25,919)	(51,838)	(77,757)	(103,676)
(Decrease)/Increase in profit before income tax for 2018	122,173	91,630	61,086	30,543	(30,543)	(61,086)	(91,630)	(122,173)
(Decrease)/Increase in profit after income tax for 2016	89,565	67,174	44,783	22,391	(22,391)	(44,783)	(67,174)	(89,565)
(Decrease)/Increase in profit after income tax for 2017	88,125	66,094	44,062	22,031	(22,031)	(44,062)	(66,094)	(88,125)
(Decrease)/Increase in profit after income tax for 2018	103,847	77,885	51,923	25,962	(25,962)	(51,923)	(77,885)	(103,847)

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Sensitivity analysis — cost of sales

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of sales on our profit before income tax and profit after income tax during the Track Record Period, assuming a corporate income tax rate of 15% and holding all other variables constant. Our cost of sales was approximately HK\$347.2 million, HK\$370.9 million and HK\$453.3 million for the three years ended 31 December 2018, respectively. Fluctuations are assumed to be 5%, 10%, 15%, 20% and 30% for the three years ended 31 December 2018, respectively.

Changes in cost of

sales	+30%	+20%	+15%	+10%	+5%	-5%	-10%	-15%	-20%	-30%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Decrease)/Increase in										
profit before										
income tax for 2016	(104,164)	(69,443)	(52,082)	(34,721)	(17,361)	17,361	34,721	52,082	69,443	104,164
(Decrease)/Increase in										
profit before										
income tax for 2017	(111,271)	(74,181)	(55,636)	(37,090)	(18,545)	18,545	37,090	55,636	74,181	111,271
(Decrease)/Increase in										
profit before										
income tax for 2018	(135,991)	(90,661)	(67,996)	(45,330)	(22,665)	22,665	45,330	67,996	90,661	135,991
(Decrease)/Increase in										
profit after income										
tax for 2016	(88,540)	(59,026)	(44,270)	(29,513)	(14,757)	14,757	29,513	44,270	59,026	88,540
(Decrease)/Increase in										
profit after income										
tax for 2017	(94,581)	(63,054)	(47,290)	(31,527)	(15,763)	15,763	31,527	47,290	63,054	94,581
(Decrease)/Increase in										
profit after income										
tax for 2018	(115,593)	(77,062)	(57,796)	(38,531)	(19,265)	19,265	38,531	57,796	77,062	115,593

Breakeven analysis

For the year ended 31 December 2016, assuming a corporate income tax rate of 15% and holding all other variables constant, our Group would achieve breakeven (i) with a decrease in revenue of approximately 15.7%; and (ii) with an increase in cost of sales of approximately 23.9%.

For the year ended 31 December 2017, assuming a corporate income tax rate of 15% and holding all other variables constant, our Group would achieve breakeven (i) with a decrease in revenue of approximately 9.3%; and (ii) with an increase in cost of sales of approximately 13.0%.

For the year ended 31 December 2018, assuming a corporate income tax rate of 15% and holding all other variables constant, our Group would achieve breakeven (i) with a decrease in revenue of approximately 9.0%; and (ii) with an increase in cost of sales of approximately 12.2%.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

After taking into consideration the financial resources available to our Group, including our cash on hand, operating cash flows and banking facilities, and in the absence of unforeseen circumstances, our Directors confirm that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this listing document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL RISKS

Our Group's activities expose us to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. Our Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

Foreign exchange risk

Our financial statements set out in the section headed "Appendix I — Accountants' Report" in this listing document are presented in Hong Kong dollars, which is our Company's functional currency. Each entity in our Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

We have transactional currency exposures. These exposures arise from sales in currencies other than the units' functional currencies. Approximately 31%, 26% and 28% of our 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 three years ended 31 December 2018, respectively.

We did not enter into any hedging contracts for the three years ended 31 December 2018. We monitor the daily movement of RMB against USD.

We will monitor our foreign currency exposure closely and will consider to use derivative financial instruments including forward contracts to hedge our foreign currency exposure in the future should the need arises.

As at 31 December 2016, 2017 and 2018, if RMB had strengthened/weakened by 5% against USD with all other variables unchanged, our Group's profit before tax would have been approximately HK\$4.2 million, HK\$4.9 million and HK\$6.1 million lower/higher and our Group's equity would be approximately HK\$3.5 million, HK\$4.1 million and HK\$4.9 million lower/higher, respectively. As at 31 December 2016, 2017 and 2018, if RMB had strengthened/weakened by 5% against HK\$ with all other variables unchanged, our Group's equity would have been approximately HK\$17.9 million, HK\$20.6 million and HK\$20.7 million higher/lower, respectively.

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Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our long term debt obligations with floating interest rates. The contractual interest rates and terms of repayment of the interest-bearing bank borrowings of our Group are stated in note 24 of the Accountants' Report as set out in the section headed "Appendix I — Accountants' Report" in this listing document.

As at 31 December 2016, 2017 and 2018, if interest rates had been 25 basis points higher/lower with all other variables held constant, our Group's profit before tax would have been approximately HK\$45,000, HK\$4,000 and HK\$147,000 higher/lower, respectively.

Credit risk

We trade only with recognised and creditworthy third parties. It is our 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 our exposure to bad debts is not significant.

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

Since we trade 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. We had certain concentrations of credit risk as 54%, 48% and 41% of our trade and bills receivables were due from our certain customers with the top five balances as at 31 December 2016, 2017 and 2018, respectively.

Further quantitative data in respect of our exposure to credit risk arising from trade receivables are disclosed in note 19 to the Accountants' Report as set out in the section headed "Appendix I — Accountant's Report" in this listing document.

Liquidity risk

Our 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.

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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 one year	Over one year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>30,866</u>	<u>98,674</u>	<u>5,247</u>	<u>134,787</u>

	As at 31 December 2017			
	On demand	Less than one year	Over one year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>21,464</u>	<u>86,045</u>	<u>—</u>	<u>107,509</u>

	As at 31 December 2018			
	On demand	Less than 1 year	Over 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>9,583</u>	<u>76,822</u>	<u>80,695</u>	<u>167,100</u>

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CAPITAL MANAGEMENT

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximise shareholders' value. We manage our capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to our shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the three years ended 31 December 2018.

DISTRIBUTABLE RESERVES

We had no distributable reserves as at 31 December 2018. On the Distribution Record Date, as part of the Reorganisation, China Aluminum Cans will subscribe for 234,544,748 new Shares at the consideration of HK\$23,454,474.8, of which approximately HK\$21.1 million will be credited to our share premium account and become a distributable reserve.

DIVIDEND

Before the acquisition of Guangzhou Euro Asia, on 15 December 2017, Guangzhou Euro Asia declared a dividend amounting to approximately HK\$9.5 million to its then 100% shareholder, European Asia Industrial. Under the basis of presentation as mentioned in note 2 to the Accountants' Report set out in Appendix I in this listing document, the acquisition should be treated as if it had been completed and European Asia Industrial had been a 30% minority shareholder of Guangzhou Euro Asia since the beginning of the financial periods. As a consequence, our Company considers the dividends to be final dividend paid to minority shareholder.

Save as disclosed above, we did not declare any dividend during the Track Record Period. We may declare dividends in the future after taking into account our results of operations, earnings, our capital requirements and surplus, our general financial condition, contractual restrictions, and other factors as our Directors may deem relevant at such time. Whether we pay a dividend and the amount of such dividend will depend on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions and other factors that our Directors deem relevant. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors.

PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including the IFRSs. Some of our subsidiaries in the PRC, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant PRC laws and the provisions of their respective articles of association. These portions of our subsidiaries' net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. Since we rely on our PRC subsidiaries' dividends as the source of funds to pay dividends, these restrictions may limit or completely prevent us from paying dividends.

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Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the Companies Law. Our Shareholders in general meetings may approve and make any declaration of dividends, which must not exceed the amount recommended by our Directors. No dividend may be declared or paid except out of our profits or reserves set aside from profits in our Directors' discretion. Dividends may also be declared and paid out of our share premium account in accordance with the Companies Law and our Articles of Association, provided that no dividend may be made out of our share premium account unless we will be able to pay our debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of approximately HK\$10.6 million for the Listing. We expect listing expenses to be approximately HK\$26.1 million by the completion of the Spin-off and the Listing, of which approximately HK\$5.4 million was borne by China Aluminum Cans and approximately HK\$10.1 million will be charged to our consolidated statement of comprehensive income for the year ending 31 December 2019.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this listing document, except as described below, our Directors confirmed that there were no material changes to our business model, revenue structure and cost structure. Our principal business remained to be design, development, manufacture and sale of a wide range of automotive beauty and maintenance products as well as personal care products and other products including household products.

Our Directors confirm that, although the trade war between the United States and the PRC did not have a material adverse impact on the selling prices of our products for the year ended 31 December 2018, our major customer in the United States (the “U.S. Customer”), which primarily purchased our personal care products during the Track Record Period, did not place any sales order with us during the period from January 2019 to March 2019. Our secured orders received from the U.S. Customer, which were or are expected to be recognised as revenue, after March 2019 and up to the Latest Practicable Date amounted to approximately HK\$1.0 million, of which approximately HK\$0.4 million had been recognised as revenue as at the Latest Practicable Date. For the three years ended 31 December 2018, our revenue generated from the U.S. Customer amounted to approximately HK\$26.2 million, HK\$20.8 million and HK\$59.2 million, accounting for approximately 5.0%, 4.0% and 9.7% of our total revenue, respectively. As at the Latest Practicable Date, it was still uncertain whether the U.S. Customer would continue to place orders with us, and the parties intended to negotiate this further in due course. Since 1 January 2019 and up to the Latest Practicable Date, our secured orders received from our CMS customers, which were or are expected to be recognised as revenue, amounted to approximately HK\$118.5 million. For details, please refer to the section headed “Business — Our customers — Our CMS customers” in this listing document.

Prospective investors should note that based on information available as at the Latest Practicable Date, the financial performance of our Group for the year ending 31 December 2019 is expected to be materially and adversely affected by (i) the non-recurring expenses in relation to the Spin-off and the Listing; (ii) the share option expenses arising from the grant of the Pre-IPO Share Options under the Pre-IPO Share Option Scheme; (iii) the possible decrease in the gross profit of our Group primarily resulting from the fluctuation in our costs of purchase of raw materials (including solvents

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and packaging materials); and (iv) the decrease in sales orders from the U.S. Customer as mentioned above. Prospective investors are specifically warned that given the aforesaid, our Group's financial performance for the year ending 31 December 2019 may not be comparable to those of the previous financial years.

Our Directors confirmed that up to the date of this listing document, save as disclosed above, there has been no material adverse change in our financial or trading position or prospects since 31 December 2018 and there has been no event since 31 December 2018 which would materially affect the information in our combined financial statements included in the Accountants' Report set forth in Appendix I to this listing document, in each case except as otherwise disclosed herein.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Roma Appraisals Limited, an independent property valuer, has valued our property interests as at 31 March 2019. The text of the letter, summary of valuation and the summary valuation certificates are set out in Appendix III to this listing document.

The table sets forth the reconciliation of the net book value of the property interests from the audited financial statements as at 31 December 2018 to the valuation of the property interests as at 31 March 2019:

	<i>RMB' 000</i>
Net book value of property interests of our Group as at 1 January 2019	107,706
Additions	196
Depreciation	(2,236)
Disposals	—
Net book value of property interests of our Group as at 31 March 2019 (unaudited)	105,666
Revaluation surplus	<u>68,334</u>
Valuation of property interests of our Group as at 31 March 2019	<u><u>174,000</u></u>

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

According to Rule 13.17 of the Listing Rules, a general disclosure obligation will arise where the controlling shareholder of a listed issuer has pledged its interest in shares of the company to secure debts of a listed issuer or to secure guarantees or other support of obligations of the a listed issuer.

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Our principal objective is to enhance our position as the leading automotive beauty and maintenance aerosol product manufacturer in the PRC. We plan to further develop our OBM business by broadening the international markets of our OBM products, implementing our e-commerce strategies, launching new series of automotive beauty and maintenance products under our brand, and enhancing our brand recognition. We also plan to expand into the personal care product market in the PRC. For further details of our future plans, please refer to the section headed “Business — Business strategies” in this listing document.

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.

APPENDIX I**ACCOUNTANTS' REPORT****COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		Year ended 31 December		
		2016	2017	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	8	526,855	518,381	610,864
Cost of sales		<u>(347,214)</u>	<u>(370,904)</u>	<u>(453,304)</u>
Gross profit		<u>179,641</u>	<u>147,477</u>	<u>157,560</u>
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	<u>(1,788)</u>	<u>(497)</u>	<u>(2,035)</u>
PROFIT BEFORE TAX	9	92,673	50,376	61,592
Income tax expense	13	<u>(22,164)</u>	<u>(9,398)</u>	<u>(14,664)</u>
PROFIT FOR THE YEAR		<u>70,509</u>	<u>40,978</u>	<u>46,928</u>
OTHER COMPREHENSIVE INCOME/(LOSS)				
Exchange differences on translation of foreign operations		<u>(15,930)</u>	<u>18,467</u>	<u>(16,613)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>54,579</u>	<u>59,445</u>	<u>30,315</u>
Profit attributable to:				
Owners of the parent		69,368	39,210	41,686
Non-controlling interests		<u>1,141</u>	<u>1,768</u>	<u>5,242</u>
		<u>70,509</u>	<u>40,978</u>	<u>46,928</u>
Total comprehensive income attributable to:				
Owners of the parent		54,114	56,954	25,796
Non-controlling interests		<u>465</u>	<u>2,491</u>	<u>4,519</u>
		<u>54,579</u>	<u>59,445</u>	<u>30,315</u>

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		<u>5,853</u>	<u>1,006</u>	<u>78,992</u>
Net assets		<u>221,990</u>	<u>271,900</u>	<u>228,436</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	27	—	—	—
Reserves	28	211,832	268,786	220,803
Non-controlling interests		<u>10,158</u>	<u>3,114</u>	<u>7,633</u>
Total equity		<u>221,990</u>	<u>271,900</u>	<u>228,436</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Other	Exchange	Retained		Non-	Total
	reserve	fluctuation	reserve	profits	Total	controlling	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	interests	HK\$'000
	(note 27)						
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					Non-controlling interests	Total equity
	Share capital	Other reserve	Exchange fluctuation reserve	Retained profits	Total		
	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

	<i>Notes</i>	Year ended 31 December		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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		<u>114,418</u>	<u>36,922</u>	<u>85,904</u>

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	<u>(16,137)</u>	<u>(12,024)</u>	<u>(11,299)</u>
Net cash flows from operating activities	<u>91,223</u>	<u>23,351</u>	<u>72,826</u>
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	<u>—</u>	<u>—</u>	<u>(90,000)</u>
Net cash flows used in investing activities	<u>(12,486)</u>	<u>(8,662)</u>	<u>(116,687)</u>
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	<u>—</u>	<u>(9,535)</u>	<u>—</u>
Net cash flows from/(used in) financing activities	<u>(80,676)</u>	<u>(23,897)</u>	<u>93,315</u>

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		<u>107,286</u>	<u>100,075</u>	<u>99,779</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	<u><u>100,075</u></u>	<u><u>99,779</u></u>	<u><u>142,492</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	21	<u>108,307</u>	<u>105,196</u>	<u>147,422</u>
Cash and cash equivalents as stated in the combined statements of financial position				
Pledged deposits		<u>(8,232)</u>	<u>(5,417)</u>	<u>(4,930)</u>
Cash and cash equivalents as stated in the combined statements of cash flows		<u><u>100,075</u></u>	<u><u>99,779</u></u>	<u><u>142,492</u></u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

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	<i>Definition of a Business</i> ⁵
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
IFRS 16	<i>Leases</i> ¹
IFRS 17	<i>Insurance Contracts</i> ³
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ²
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
IFRIC- Int 23	<i>Uncertainty over Income Tax Treatments</i> 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>526,855</u>	<u>518,381</u>	<u>610,864</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from contracts with customers</i>			
Sale of goods	<u>526,855</u>	<u>518,381</u>	<u>610,864</u>

(i) Disaggregated revenue information

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Type of goods</i>			
Sale of industrial products	<u>526,855</u>	<u>518,381</u>	<u>610,864</u>

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

(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	<u>11,543</u>	<u>10,900</u>	<u>11,717</u>

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	<u>11,543</u>	<u>10,900</u>	<u>11,717</u>

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	<u>716</u>	<u>1,071</u>	<u>1,863</u>
	<u>17,060</u>	<u>7,659</u>	<u>15,603</u>

* 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):

	<i>Notes</i>	Year ended 31 December		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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		<u>4,064</u>	<u>4,493</u>	<u>5,156</u>
		<u>41,527</u>	<u>44,736</u>	<u>47,232</u>
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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans repayable	<u>1,788</u>	<u>497</u>	<u>2,035</u>

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
	<u>720</u>	<u>831</u>	<u>838</u>

(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 HK\$'000	Discretionary performance- related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Year ended 31 December 2016				
Ko Sau Mee	—	—	—	—
Lin Hing Lung	219	—	—	219
Lin Hing Lei	219	—	—	219
Yang Xiaoye	<u>278</u>	<u>—</u>	<u>4</u>	<u>282</u>
	<u>716</u>	<u>—</u>	<u>4</u>	<u>720</u>

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

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

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	963	983	853
Pension scheme contributions	<u>12</u>	<u>17</u>	<u>15</u>
	<u>975</u>	<u>1,000</u>	<u>868</u>

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	<u>3</u>	<u>3</u>	<u>3</u>

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.

APPENDIX I**ACCOUNTANTS' REPORT**

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Mainland China	14,340	8,304	12,795
Current — Hong Kong	7,216	1,132	1,624
Deferred (note 25)	<u>608</u>	<u>(38)</u>	<u>245</u>
Total tax charge for the year	<u>22,164</u>	<u>9,398</u>	<u>14,664</u>

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	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Profit before tax	<u>92,673</u>		<u>50,376</u>		<u>61,592</u>	
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	<u>1,956</u>	<u>2.0</u>	<u>875</u>	<u>1.7</u>	<u>2,304</u>	<u>3.7</u>
Tax charge at the Group's effective tax rate	<u>22,164</u>	<u>23.9</u>	<u>9,398</u>	<u>18.7</u>	<u>14,664</u>	<u>23.8</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>78,571</u>	<u>13,344</u>	<u>5,530</u>	<u>1,289</u>	<u>3,534</u>	<u>102,268</u>
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	<u>72,371</u>	<u>11,467</u>	<u>5,507</u>	<u>1,847</u>	<u>3,402</u>	<u>94,594</u>
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	<u>72,371</u>	<u>11,467</u>	<u>5,507</u>	<u>1,847</u>	<u>3,402</u>	<u>94,594</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>72,371</u>	<u>11,467</u>	<u>5,507</u>	<u>1,847</u>	<u>3,402</u>	<u>94,594</u>
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	<u>5,121</u>	<u>1,075</u>	<u>101</u>	<u>69</u>	<u>257</u>	<u>6,623</u>
At 31 December 2017, net of accumulated depreciation	<u>71,955</u>	<u>14,261</u>	<u>5,278</u>	<u>1,544</u>	<u>4,497</u>	<u>97,535</u>
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	<u>71,955</u>	<u>14,261</u>	<u>5,278</u>	<u>1,544</u>	<u>4,497</u>	<u>97,535</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>71,955</u>	<u>14,261</u>	<u>5,278</u>	<u>1,544</u>	<u>4,497</u>	<u>97,535</u>
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	<u>60,067</u>	<u>17,759</u>	<u>7,808</u>	<u>14,000</u>	<u>4,373</u>	<u>104,007</u>
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	<u>60,067</u>	<u>17,759</u>	<u>7,808</u>	<u>14,000</u>	<u>4,373</u>	<u>104,007</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>(4,161)</u>	<u>4,469</u>	<u>(3,217)</u>
Carrying amount at 31 December	59,871	62,866	58,133
Current portion included in prepayments, deposits and other receivables	<u>(1,427)</u>	<u>(1,535)</u>	<u>(1,455)</u>
Non-current portion	<u><u>58,444</u></u>	<u><u>61,331</u></u>	<u><u>56,678</u></u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	22,352	26,287	20,691
Work in progress	1,572	1,991	2,123
Finished goods	<u>18,205</u>	<u>26,169</u>	<u>34,148</u>
	<u><u>42,129</u></u>	<u><u>54,447</u></u>	<u><u>56,962</u></u>

19. Trade and Bills Receivables

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

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>5,623</u>	<u>9,860</u>	<u>5,143</u>
	<u>33,007</u>	<u>41,248</u>	<u>38,021</u>

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	<u>3,376</u>	<u>4,631</u>	<u>5,148</u>

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:

		Neither past due nor impaired	Past due but not impaired	
	Total		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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	108,307	105,196	147,422
Less: Pledged deposits			
Pledged for letters of credit	(2,645)	—	—
Pledged for acceptance bills	<u>(5,587)</u>	<u>(5,417)</u>	<u>(4,930)</u>
Cash and cash equivalents	<u>100,075</u>	<u>99,779</u>	<u>142,492</u>
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”)	<u>314</u>	<u>738</u>	<u>1,090</u>
Cash and cash equivalents	<u>100,075</u>	<u>99,779</u>	<u>142,492</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>69,892</u>	<u>67,300</u>	<u>68,590</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>52,815</u>	<u>47,830</u>	<u>29,204</u>

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		
	<i>Contractual interest rate</i>	<i>Maturity</i>	<i>HK\$'000</i>	<i>Contractual interest rate</i>	<i>Maturity</i>	<i>HK\$'000</i>	<i>Contractual interest rate</i>	<i>Maturity</i>	<i>HK\$'000</i>
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			—			—
			—			—			—
			<u>16,565</u>			<u>3,602</u>			<u>—</u>
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
			—			—			—
			<u>4,956</u>			<u>—</u>			<u>75,000</u>
			<u>21,521</u>			<u>3,602</u>			<u>75,000</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>21,521</u>	<u>3,602</u>	<u>75,000</u>

	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
	<u>21,521</u>	<u>3,602</u>	<u>75,000</u>

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	<u>28,518</u>	<u>27,085</u>	<u>25,673</u>
	50,039	30,687	100,673
Undrawn facilities:			
to expire within one year	63,374	122,472	83,477
to expire over one year	<u>47,684</u>	<u>—</u>	<u>—</u>
	<u>111,058</u>	<u>122,472</u>	<u>83,477</u>

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:

	<i>Notes</i>	As at 31 December		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>1,397</u>	<u>1,503</u>	<u>1,425</u>
		<u>110,673</u>	<u>112,638</u>	<u>109,932</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2016	834	880	—	1,714
Charged to profit or loss (note 13)	(817)	76	—	(741)
Exchange realignment	<u>(17)</u>	<u>(59)</u>	<u>—</u>	<u>(76)</u>
At 31 December 2016 and 1 January 2017	—	897	—	897
Charged to profit or loss (note 13)	—	147	—	147
Exchange realignment	<u>—</u>	<u>73</u>	<u>—</u>	<u>73</u>
At 31 December 2017 and 1 January 2018	—	1,117	—	1,117
Charged to profit or loss (note 13)	—	337	356	693
Exchange realignment	<u>—</u>	<u>(71)</u>	<u>(15)</u>	<u>(86)</u>
At 31 December 2018	<u>—</u>	<u>1,383</u>	<u>341</u>	<u>1,724</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2016	1,030	1,030
Charged to profit or loss (note 13)	<u>(133)</u>	<u>(133)</u>
At 31 December 2016 and 1 January 2017	897	897
Charged to profit or loss (note 13)	<u>109</u>	<u>109</u>
At 31 December 2017 and 1 January 2018	1,006	1,006
Charged to profit or loss (note 13)	<u>938</u>	<u>938</u>
At 31 December 2018	<u><u>1,944</u></u>	<u><u>1,944</u></u>

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)
	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December	—	—	2,276
Current portion	—	—	(228)
	<u>—</u>	<u>—</u>	<u>—</u>
Non-current portion	<u>—</u>	<u>—</u>	<u>2,048</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	533	662	446
In the second to third years, inclusive	<u>—</u>	<u>463</u>	<u>—</u>
	<u>533</u>	<u>1,125</u>	<u>446</u>

30. Commitments

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

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

* 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)
	<u>21,521</u>	<u>3,602</u>	<u>75,000</u>
At 31 December	<u>21,521</u>	<u>3,602</u>	<u>75,000</u>
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	<u>—</u>	<u>—</u>	<u>(16,221)</u>
	<u>21,812</u>	<u>16,221</u>	<u>330</u>
At 31 December	<u>21,812</u>	<u>16,221</u>	<u>330</u>

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)	<u>312</u>	<u>200</u>	<u>15</u>
		<u>26,526</u>	<u>21,037</u>	<u>5,162</u>
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)	<u>—</u>	<u>—</u>	<u>6,120</u>
		<u>15,306</u>	<u>19,391</u>	<u>27,213</u>
Trademarks licensing from:				
China Motor Management Services Limited	(ii)	<u>339</u>	<u>—</u>	<u>—</u>

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	<u>6,697</u>	<u>8,405</u>	<u>—</u>

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**	<u>9,603</u>	<u>553</u>	<u>928</u>
	<u>46,674</u>	<u>34,704</u>	<u>1,442</u>

* 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	—
	<u>31,341</u>	<u>24,651</u>	<u>15,398</u>

* 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	<u>16</u>	<u>21</u>	<u>20</u>
	<u>1,911</u>	<u>2,517</u>	<u>2,064</u>

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	<u>100,075</u>	<u>100,075</u>	<u>99,779</u>	<u>99,779</u>	<u>142,492</u>	<u>142,492</u>
	<u>185,335</u>	<u>185,335</u>	<u>185,456</u>	<u>185,456</u>	<u>196,763</u>	<u>196,763</u>

	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
	<u>133,320</u>	<u>133,320</u>	<u>107,410</u>	<u>107,410</u>	<u>161,405</u>	<u>161,405</u>

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
<u>As at 31 December 2016</u>		
PBOC base rate	25	45
PBOC base rate	(25)	(45)
<u>As at 31 December 2017</u>		
PBOC base rate	25	4
PBOC base rate	(25)	(4)
<u>As at 31 December 2018</u>		
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 HK\$'000	Increase/ (decrease) in equity* HK\$'000
<u>As at 31 December 2016</u>			
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
<u>As at 31 December 2017</u>			
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
<u>As at 31 December 2018</u>			
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
	<u>157,521</u>	<u>—</u>	<u>—</u>	<u>39,242</u>	<u>196,763</u>

* 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			Total HK\$'000
	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year 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
	<u>30,866</u>	<u>98,674</u>	<u>5,247</u>	<u>134,787</u>

	As at 31 December 2017			
	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Trade and bills payables	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
	<u>21,464</u>	<u>86,045</u>	<u>—</u>	<u>107,509</u>

	As at 31 December 2018			
	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total 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
	<u>9,583</u>	<u>76,822</u>	<u>80,695</u>	<u>167,100</u>

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	<u>(108,307)</u>	<u>(105,196)</u>	<u>(147,422)</u>
Net debt	<u>25,013</u>	<u>2,214</u>	<u>13,983</u>
Equity attributable to owners of the parent	<u>211,832</u>	<u>268,786</u>	<u>220,803</u>
Capital and net debt	<u>236,845</u>	<u>271,000</u>	<u>234,786</u>
Gearing ratio	<u>11%</u>	<u>1%</u>	<u>6%</u>

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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this listing document, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the Accountants' Report set forth in Appendix I to this listing document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules for the purpose of illustrating the effect of the Listing as if it had taken place on 31 December 2018 and based on the audited combined net tangible assets attributable to equity shareholders of the Company as at 31 December 2018 as shown in the Accountants' Report, the text of which is set out in Appendix I to this Listing Document, and adjusted as described below.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not provide a true picture of our financial position of the Group had the Listing been completed as at 31 December 2018 or at any future dates.

	Audited combined net tangible assets attributable to equity shareholders of the Company as of 31 December 2018	Estimated expenses relating to the Listing	Unaudited pro forma combined net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>Note 1</i>	<i>Note 2</i>		<i>Note 3</i>
Based on 234,544,750 Shares assumed to be in issue immediately prior to the Listing (<i>Note 3</i>)	<u>220,803</u>	<u>(8,370)</u>	<u>212,433</u>	<u>0.91</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- 1 The combined net tangible assets attributable to equity shareholders of the Group as at 31 December 2018 is arrived at after deducting non-controlling interests of HK\$7,633,000 from the audited combined net assets of HK\$228,436,000 as at 31 December 2018, as shown in the Accountants' Report, the text of which is set out in Appendix I to this listing document.
- 2 The amount represents estimated expenses relating to the Listing expected to be incurred by the Group subsequent to 31 December 2018 which mainly include professional fees for the Sole Sponsor, the Company's legal advisers and reporting accountants and other listing related expenses.
- 3 The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments as described in note 2 above and is based on 234,544,750 Shares assumed to be in issue immediately prior to the Listing. No account has been taken of any Shares which may be allotted and issued pursuant to the exercise of any options that have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme and of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and the Repurchase Mandate, and of any outstanding options granted pursuant to share option scheme of China Aluminum Cans Group adopted on 20 June 2013 and convertible rights attached to outstanding convertible bonds of China Aluminum Cans Group held by certain shareholders.
- 4 No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION¹**

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this listing document.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Precious Dragon Technology Holding Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Precious Dragon Technology Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 December 2018 and related notes as set out on pages II-1 to II-2 of the listing document dated 3 June 2019 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the listing document.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the listing of shares of the Company on the Group's financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in this listing document is solely to illustrate the impact of the listing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented. A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants

Hong Kong

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent property valuer, in connection with its valuation as at 31 March 2019 of the property interest held by our Group.



22/F, China Overseas Building
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

3 June 2019

Precious Dragon Technology Holdings Limited

Unit G, 20th Floor,
Golden Sun Centre,
Nos.59-67 Bonham Strand West,
Sheung Wan, Hong Kong

Dear Sir/Madam,

Re: Property valuations of various properties located at the People's Republic of China

In accordance with your instructions for us to value the properties held by Precious Dragon Technology Holdings Limited (the "Company") and / or its subsidiaries (together with the Company referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 March 2019 (the "Date of Valuation") for the purpose of incorporation in the listing document of the Company dated 3 June 2019.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORIZATION

In the course of our valuations, the properties held by the Group are categorised into the following groups:

- Group I- Property held by the Group for owner-occupation purpose in the PRC; and
- Group II- Property held by the Group for development in the PRC.

3. VALUATION METHODOLOGY

For the property interests in Group I which are held by the Group for owner-occupation purpose in the PRC, due to the specific purpose for the buildings and structures of the properties, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“DRC”) is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialised property, due to the lack of market comparables available. Our valuations do not necessarily represent the amount that might be realised from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

For the property interest in Group II which is held by the Group for development in the PRC, we have valued the property by the direct comparison approach on the basis that the property will be developed in accordance with the latest development proposal provided to us. We have assumed that all necessary approvals for the proposal have been obtained from the relevant government authorities without onerous conditions or restrictions and have taken into account the development costs to complete the development.

4. TITLE INVESTIGATION

For the properties in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuation, we have relied on the advice and information given by the Group and its PRC legal advisor — China Commercial Law Firm, regarding the titles of the property in the PRC. All documents have been used for reference only.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the property which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent / land use fees and all requisite land premium / purchase consideration payable have been fully settled.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site / floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of the property. No structural survey has been made in respect of the property. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the property are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site / floor areas of the property under consideration but we have assumed that the site / floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuations are prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

8. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited
Nancy Chan
BSc (Hons) MHKIS MRICS
RPS(GP) MCIREA
Director

Note: Ms. Nancy Chan is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors and a member of China Institute of Real Estate Appraisers and Agents. She has over 9 years' experience in real estate industry and property and asset valuation in Hong Kong, Macau, the PRC, Singapore, Taiwan, United Kingdom, Australia, Japan and other overseas countries

SUMMARY OF VALUES**Group I — Property held by the Group for owner-occupation purpose in the PRC**

No.	Property	Market Value in Existing State as at 31 March 2019
1.	An industrial complex located at No. 628 Jufeng North Road, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, The PRC	RMB92,700,000
2.	An industrial complex located at Nos.11-12 Tai Yuan Road, Conghua Economic Technology Development Zone, Conghua District, Guangzhou City, Guangdong Province, The PRC	RMB41,300,000
Sub-Total:		<u>RMB134,000,000</u>

Group II- Property held by the Group for development in the PRC.

No.	Property	Market Value in Existing State as at 31 March 2019
3.	A parcel of industrial land situated Xinhu Village Aotou Town, Conghua District Guangzhou City Guangdong Province, the PRC	RMB40,000,000
Sub-Total:		<u>RMB40,000,000</u>
Grand-Total:		<u>RMB174,000,000</u>

VALUATION CERTIFICATE

Group I — Property held by the Group for owner-occupation purpose in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2019
1.	An industrial complex located at No. 628 Jufeng North Road, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 66,047.00 sq.m. (or about 710,929.91 sq.ft.) with various buildings and structures for industrial use, mainly completed in 2009 as advised by the Group, erected thereon.</p> <p>The total gross floor area (“GFA”) of the property is approximately 26,816.95 sq.m. (or about 288,657.65 sq.ft.).</p> <p>The land use rights of the property have been granted for 50 years expiring on 3 December 2058 for industrial use.</p>	<p>As advised by the Group, portion of the property with a GFA of approximately 1,500 sq.m. (or about 16,146.00 sq.ft.) is subject to an intra-group tenancy with a monthly rent of RMB18,000, exclusive of outgoings and expenses, for a period of 3 years commencing on 19 December 2016 and expiring on 18 December 2019.</p> <p>The remaining portion of the property with a GFA of approximately 25,316.95sq.m. (or about 272,511.65 sq.ft.) is subject to an intra-group tenancy with a monthly rent of RMB482,000 for a period of one year commencing on 1 January 2019 and expiring on 31 December 2019.</p>	RMB92,700,000

Notes:

1. Pursuant to a Real Estate Title Certificate (不動產權證書), Yue (2018) Guangzhou City Bu Dong Chan Quan Di No. 09225724 (粵(2018)廣州市不動產權第09225724號), the property with a site area of approximately 66,047.00 sq.m. and a gross floor area of approximately 26,816.95 sq.m. is owned by Guangzhou Shentian Woye Trading Company Limited (廣州深田沃業貿易有限公司) (“Guangzhou Shentian”) for industrial use.
2. The status of title in accordance with the information provided by the Group is as follows:

Real Estate Title Certificate	Yes
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3. Our inspection was performed by Ms Vinci Hou in May 2018.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter-alia, the following information:
 - a. The Group has obtained the land use rights and building ownership rights of the property legally and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property for the remaining term of the above-said land use rights;
 - b. All land premium and other relevant fees have been settled in full; and
 - c. The property is subjected to a mortgage in favor of Industrial and Commercial Bank of China.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2019
2.	An industrial complex located at Nos.11-12 Tai Yuan Road, Conghua Economic Technology Development Zone, Conghua District, Guangzhou City, Guangdong Province, The PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 18,631.60 sq.m. (or about 200,540.54 sq.ft.) with various buildings and structures for industrial use, completed during 1995 and 2005 as advised by the Group, erected thereon.</p> <p>The total gross floor area of the property is approximately 13,653.33 sq.m. (or about 146,964.44 sq.ft.).</p> <p>The land use rights of the property have been granted for various terms expiring on 17 January 2052, 31 January 2055 and 9 November 2063 for industrial use.</p>	The property is occupied by the Group for industrial use.	RMB41,300,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of approximately 18,631.60 sq.m. have been granted to Guangzhou Botny Chemical Co., Ltd (廣州保賜利化工有限公司) (“Botny Chemical”) for industrial use. The details of which are as follows:

State-owned Land Use Rights Certificates	Site Area (sq.m.)
Cong Fu Guo Yong (2005) Di No.00082從府國用(2005)第00082號	1,975.00
Cong Fu (Kai) Guo Yong (2005) Di No.15從府(開)國用(2005)第15號	15,040.31
Cong Fu (Kai) Guo Yong (2005) Di No.16從府(開)國用(2005)第16號	1,616.29
Total:	<u>18,631.60</u>

2. Pursuant to 7 Real Estate Title Certificates, various buildings of the property with a total gross floor area of 13,653.33 sq.m. are legally owned by Botny Chemical for industrial uses. The details of which are as follows:-

Building Ownership Certificate	Gross Floor Area (sq.m.)
Yue Fang Di Zheng Zi Di No.C2611121 粵房地證字第C2611121號	4,431.67
Yue Fang Di Zheng Zi Di No.C2611122 粵房地證字第C2611122號	2,201.87
Yue Fang Di Zheng Zi Di No.C2611123 粵房地證字第C2611123號	114.33
Yue Fang Di Zheng Zi Di No.C3390290 粵房地證字第C3390290號	905.31
Yue Fang Di Zheng Zi Di No.C3390291 粵房地證字第C3390291號	503.15
Yue Fang Di Zheng Zi Di No.C3390292 粵房地證字第C3390292號	577.31
Yue Fang Di Zheng Zi Di No.C2611124 粵房地證字第C2611124號	4,919.69
Total:	<u>13,653.33</u>

3. The status of title in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes

4. Our inspection was performed by Ms Vinci Hou in May 2018.

5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:

- a. The Group has obtained the land use rights and building ownership rights of the property legally and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property for the remaining term of the above-said land use rights;
- b. All land premium and other relevant fees have been settled in full; and
- c. Portion of the property, the warehouse with a GFA of approximately 4,919.69sq.m. held under Real Estate Title Certificate Yue Fang Di Zheng Di No.C2611124 (粵房地證字第C2611124號) is subjected to a mortgage in favor of Bangkok Bank (China) Company Limited (Shenzhen Branch).

VALUATION CERTIFICATE

Group II — Property held by the Group for development in the PRC.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2019
3.	A parcel of industrial land situated at Xinhu Village Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a parcel of land with a site area of 63,623.00 sq.m. (or about 684,837.97 sq.ft.).</p> <p>As advised by Group, four industrial complex with total gross floor area of approximately 15,525.54 sq.m. (or about 167,116.91 sq.ft.) are proposed to be developed and expected to complete after about two years of the construction commenced.</p> <p>The land use rights of the property have been granted for a term expiring on 14 April 2060 for industrial use pursuant to the State-owned Land Use Certificate issued on 31 May 2010.</p>	The property is vacant as at the Date of Valuation.	RMB40,000,000

Notes:

- Pursuant to a State-owned Land Use Certificate, Cong Guo Yong (2010) No.00098 (從國用(2010)第00098號) dated 31 May 2010 issued by People's Government of Conghua City (從化市人民政府), the land use right of the property with a site area of 63,623.00 sq.m. has been granted to Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited (廣州歐亞氣霧劑與日化用品製造有限公司) for a term expiring on 14 April 2060 for industrial use.
- Pursuant to a Construction Works Planning Permit, Jian Zi Di Sui Guo Tu Gui Hua Jian Zheng (2016) No.390 (建字第穗國土規劃建證(2016)390號) issued by Guangzhou City Land Resources And Planning Committee (廣州市國土資源和規劃委員會) dated 11 October 2016, the planning permit with a total gross floor area of approximately 15,525.54 sq.m. for four industrial complex has been granted to Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited (廣州歐亞氣霧劑與日化用品製造有限公司).
- Pursuant to a Real Estate Registration Certificate, Yue (2017) Guangzhou City Real Estate Certificate No.09204944 (粵(2017)廣州市不動產證明第09204944號) dated 8 June 2017, the property is subjected to a registered mortgage for a guarantee amount of RMB43,263,600 in favor of Industrial and Commercial Bank of China Limited, Branch of Conghua, Guangzhou.
- As advised by the Group, the incurred cost related to land formation and research of the property as at the Date of Valuation is about RMB3,840,000, and the estimated construction cost for the proposed development is about RMB45,000,000.
- The status of the relevant title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Stated-owned Land Use Rights Certificate	Yes
Construction Works Planning Permit	Yes
- Our inspection was performed by Ms Vinci Hou in May 2018.

7. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
- a. The Group has obtained the land use rights and building ownership rights of the property legally and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property for the remaining term of the above-said land use rights; and
 - b. All land premium and other relevant fees have been settled in full; and
 - c. The property is subjected to a mortgage in favor of Industrial and Commercial Bank of China.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 May 2018 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 27 May 2019 and effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorised

representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as our Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that our Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

Our Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless our Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch

register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

Our Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

Our Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as our Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of our Company to purchase its own shares

Our Company may purchase its own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

Our Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as our Board shall fix from the day appointed for payment to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, our Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as our Board may prescribe.

(b) Directors**(i) *Appointment, retirement and removal***

At any time or from time to time, our Board shall have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by our Board shall not be taken into account in determining our Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of our Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Our Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by our Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from our Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and our Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of our Board for six consecutive months, and our Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of our Directors or otherwise pursuant to the Articles.

From time to time our Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine, and our Board may revoke or terminate any of such appointments. Our Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as our Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

Our Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless our Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as our Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor our Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of our Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, our Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of our Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) *Remuneration*

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by our Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among our Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. Our Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as our Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as our Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

Our Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

Our Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by our Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of our Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with our Company or any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of our Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to our Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which our Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of our Board

Our Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and our Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

(d) Meetings of member***(i) Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by our Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or the secretary of our Company for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, our Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as our Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

Our Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by our Board or our Company in general meeting.

Our Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of our Directors' report and a copy of the auditor's report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with our Board. The auditors' remuneration shall be fixed by our Company in general meeting or by our Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditor(s) shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) our Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where our Board or our Company in general meeting has resolved that a dividend should be paid or declared, our Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Upon the recommendation of our Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared, our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Our Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as our Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by our Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 4 May 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of our Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (aa) on or in respect of the shares, debentures or other obligations of our Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for our Company is for a period of 20 years from 29 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in Appendix VI in this listing document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 2018. Our Company has established a principal place of business in Hong Kong at Office Unit G, 20th Floor, Golden Sun Centre, Nos 59/67 Bonham Strand West, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 17 July 2018. Our Company has appointed Mrs. Lin and Mr. Lee Kam Fai as its authorised representatives for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution documents comprising the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Companies Law is set out in Appendix IV to this listing document.

2. Changes in share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 2018 with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued fully paid to the initial subscriber at par. On the same date, the one Share held by the initial subscriber was transferred to Euro Asia Investments.
- (b) On 30 April 2019, Euro Asia Investments (as vendor) entered into a sale and purchase agreement with China Aluminum Cans (as purchaser) pursuant to which one Share was transferred from Euro Asia Investments to China Aluminum Cans at the consideration of HK\$0.01. The said transfer was legally completed on the same date. Upon completion of the said transfer, our Company became a wholly-owned subsidiary of China Aluminum Cans.
- (c) On 27 May 2019, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 Shares of HK\$0.01 each by the creation of an additional 1,461,000,000 new Shares of HK\$0.01 each pursuant to a resolution in writing passed by its sole Shareholder referred to in the section headed “Appendix V — Statutory and general information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder” in this listing document.

Immediately following completion of the Spin-off (assuming none of the outstanding China Aluminum Cans Share Options has been exercised and none of the outstanding Convertible Notes has been converted into China Aluminum Cans Shares from the Latest Practicable Date to the Distribution Record Date and not taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the issued share capital of our Company will be HK\$2,345,447.50 divided into 234,544,750 Shares of HK\$0.01 each, all fully paid or credited as fully paid, with 1,265,455,250 Shares remaining unissued.

Other than pursuant to the general mandate to issue Shares referred to in the section headed “Appendix V — Statutory and general information — A. Further information about our Company — 4. Written resolutions of the sole Shareholder” in this listing document and the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in the section headed “History, reorganisation and corporate structure” in this listing document, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Changes in share capital of the subsidiaries of our Company

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I in this listing document.

Save as disclosed in the section headed “History, reorganisation and corporate structure” in this listing document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this listing document.

4. Written resolutions of the sole Shareholder

Pursuant to the written resolutions of our sole Shareholder passed on 27 May 2019, among other things:

- (a) the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 Shares of HK\$ 0.01 each by the creation of an additional 1,461,000,000 new Shares of HK\$0.01 each to rank *pari passu* in all respects with our Shares then existing;
- (b) the Memorandum of Association and the Articles were adopted in substitution for and to the exclusion of the existing memorandum of association and articles of association of our Company with effect from the Listing Date; and
- (c) subject to the Stock Exchange granting approval of the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this listing document (including any Shares which may be allotted and issued upon exercise of the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme in respect of up to 10% of our Shares in issue as at the Listing Date):
 - (i) the Spin-off and separate Listing was approved;
 - (ii) our Board or any committee established by our Board was authorised and directed to allot and issue such number of new Shares as will enable China Aluminum Cans to effect the Distribution on the basis of one Share for every four China Aluminum Cans Shares held as at the Distribution Record Date. Pursuant to the Distribution, subject

to the terms and conditions thereof as set out in this listing document and such modifications, amendments, variations or otherwise as may be made by any Director (or any committee established by our Board) in their absolute discretion, and our Board or any committee established by our Board or any Director be and is hereby authorised and directed to effect such modifications, amendments, variations or otherwise as appropriate;

- (iii) our Board or any such committee of our Board or any Director was authorised and directed to sign and execute such documents and do all such acts and things incidental to the Spin-off and separate Listing or as he/she/it considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Spin-off and separate Listing;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangement providing for the allotment and issue of our Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or an issue of Shares pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, Shares of an aggregate number not exceeding 20% of the aggregate number of Shares in issue immediately upon completion of the Spin-off (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of such number of Shares not exceeding 10% of the number of the Shares of our Company in issue and to be issued immediately upon completion of the Spin-off (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

- (vi) the general unconditional mandate as mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares of our Company in issue immediately following completion of the Spin-off but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

5. Corporate reorganisation

In preparation for the Spin-off, the companies comprising our Group underwent the Reorganisation which involved the following steps:

- (1) On 26 April 2018, the Loan of HK\$16,221,170.98 due from Botny to Euro Asia Investments was capitalised by the allotment and issue of one new share of Topspan by Topspan (the holding company of Botny) to Euro Asia Investments. The said allotment and issue of new share were legally completed on the same date, which served as the full and final settlement of the Loan due from Botny to Euro Asia Investments.
- (2) On 4 May 2018, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to the initial subscriber at par. On the same date, the one Share held by the initial subscriber was transferred to Euro Asia Investments.
- (3) On 30 April 2019, Euro Asia Investments (as vendor) entered into a sale and purchase agreement with China Aluminum Cans (as purchaser) pursuant to which one Share was transferred from Euro Asia Investments to China Aluminum Cans at the consideration of HK\$0.01. The said transfer was legally completed on the same date.
- (4) On 30 April 2019, Topspan (as issuer) and our Company (as subscriber) entered into a subscription agreement pursuant to which our Company agreed to subscribe for and Topspan agreed to allot and issue to our Company 9,998 new shares of Topspan for the aggregate sum of US\$9,998. The said issue and allotment of 9,998 new shares was legally completed on the same date.
- (5) On 15 May 2019, our Company (as purchaser) entered into a sale and purchase agreement with Euro Asia Investments (as vendor), pursuant to which Euro Asia Investments transferred two shares of Topspan to our Company in consideration of our Company allotting and issuing one Share credited as fully paid up to China Aluminum Cans. The said transfer and allotment were legally completed on the same date.

The above steps of the Reorganisation will be legally completed before the Listing. Upon completion of the Reorganisation set out above, our Company will become the holding company of our Group.

6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this listing document concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of the sole shareholder passed on 27 May 2019, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase our Shares as described above in the section headed “Appendix V — Statutory and general information — 4. Written resolutions of the sole Shareholder” in this listing document.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person”, which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or an associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to

repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 234,544,750 Shares in issue after completion of the Spin-off (assuming that none of the outstanding China Aluminum Cans Share Options has been exercised and none of the outstanding Convertible Notes has been converted into China Aluminum Cans Shares from the Latest Practicable Date to the Distribution Record Date and taking into no account of any Shares which may be allotted and issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), could accordingly result in up to 23,454,475 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years immediately preceding the date of this listing document and are or may be material in relation to the business of our Company taken as a whole:

- (a) an equity transfer agreement dated 30 November 2017 entered into between China Medical Beauty (as purchaser) and European Asia Industrial (as vendor) pursuant to which China Medical Beauty agreed to acquire 70% equity interest in Guangzhou Euro Asia at the cash consideration of HK\$90 million;
- (b) the sale and purchase agreement relating to the sale and purchase of one Share of our Company dated 30 April 2019 entered into between Euro Asia Investments (as vendor) and China Aluminum Cans (as purchaser) pursuant to which Euro Asia Investments agreed to transfer one Share of our Company to China Aluminum Cans at the consideration of HK\$0.01;
- (c) the subscription agreement dated 30 April 2019 entered into between Topspan (as issuer) and our Company (as subscriber) pursuant to which our Company agreed to subscribe for and Topspan agreed to allot and issue to our Company 9,998 new shares of Topspan for the aggregate sum of US\$9,998;
- (d) the sale and purchase agreement relating to the sale and purchase of two shares of Topspan dated 15 May 2019 entered into between our Company (as purchaser) and Euro Asia Investments (as vendor) pursuant to which Euro Asia Investments agreed to transfer two shares of Topspan to our Company in consideration of our Company allotting and issuing one Share, all credited as fully paid up in the capital of our Company, to Euro Asia Investments;
- (e) the Deed of Non-competition; and
- (f) the Deed of Indemnity.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademark


As at the Latest Practicable Date, our Group has registered the following trademarks in the PRC which we believe are material to our business:


Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	357137	2	Guangzhou Botny	9 August 2029
	936984	2	Guangzhou Botny	27 January 2027
	936985	2	Guangzhou Botny	27 January 2027
	677249	3	Guangzhou Botny	13 February 2024
	747373	2		27 May 2025
	677397	3	Guangzhou Botny	13 February 2024
	764319	2		6 September 2025
	704186	2	Guangzhou Botny	6 September 2024
	704188	2	Guangzhou Botny	6 September 2024

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Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	1287641	3	Guangzhou Botny	27 June 2029
	6335115	3	Guangzhou Botny	13 March 2030
	6335121	1		27 March 2020
	6335124	2		
	6335249	4		
	6734012	2	Guangzhou Botny	13 May 2020
	705399	2	Guangzhou Botny	13 September 2024
	6335123	1	Guangzhou Botny	27 March 2020
	746031	2	Guangzhou Botny	20 May 2025
	4452845	3	Guangzhou Botny	6 April 2029
	6079108	2		6 February 2030
	6079107	4		27 March 2020
	6335109	2		
	4452846	1		27 May 2028
	20968088	3	Guangzhou Botny	6 October 2027
	20968159	1		
	20968302	4		

Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	4849521	3	Guangzhou Botny	6 March 2029
	4849520	5		6 April 2029
	7016738	1		13 September 2020
	5534588	2		13 October 2029
	3264722	4		27 May 2024
	3264724	1		
	3264723	2		27 July 2024
	755146	2		13 July 2025
	764203	3		6 September 2025
	755147	2	Guangzhou Botny	13 July 2025
	763105	3		27 August 2025
	755149	2	Guangzhou Botny	13 July 2025
	3264719	4	Guangzhou Botny	13 October 2023
	3264721	1		27 May 2024
	3264720	2		27 July 2024
保 賜 利	4849523	3	Guangzhou Botny	6 March 2029
	4849522	5		6 December 2020
	3394840	3		27 August 2024
	3394841	1		27 September 2024
保賜利	6593745	6	Guangzhou Botny	27 March 2020
	6593746	7		
	6593748	16		
	6593749	17		

Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	6593751	20		
	6593752	21		
	6593735	40		6 April 2020
	6593754	37		
	6593737	44		27 April 2020
	6593747	8		
	6593750	19		20 June 2020
	7015046	2		13 September 2020
	6593736	42		6 October 2020
	6593753	35		
保賜利	7016739	1	Guangzhou Botny	13 September 2020
	6593738	6	Guangzhou Botny	27 March 2020
	6593739	7		
	6593742	17		
	6593730	37		6 April 2020
	6593731	40		
	6593733	44		27 April 2020
	6593740	8		13 May 2020
	6593744	20		6 June 2020
	6593743	19		13 June 2020
	6593741	16		27 July 2020
	6593732	42		13 August 2020
	6593728	21		20 August 2020
	6593729	35		13 February 2021


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Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	6335112	4	Guangzhou Botny	27 March 2020
	16079525	3	Guangzhou Botny	6 March 2026
	16079566	2		
	16079700	4		
	15700194	1		20 March 2026
	16079390	1		13 May 2026
	6674502	4	Guangzhou Botny	20 April 2020
	6674504	2		20 June 2020
	6674505	1		
	6674503	3		13 August 2020
利森	6766878	1	Guangzhou Botny	20 May 2020
	6766880	4		
	6770118	2		
	6766879	3		13 December 2020
	13853843	35	Guangzhou Botny	27 February 2025
	13985446	42		13 March 2025
	13985435	37		13 April 2025
	14992715	2	Guangzhou Botny	6 August 2025
	14993122	7		
	14993277	17		
	14993165	6		
	14993374	40		

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Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	14993400	42		
	14993415	44		
	14992849	3		13 August 2025
	14993297	19		
	14993360	37		
	14993184	8		
	14992651	1		13 October 2025
	14992874	4		27 October 2025
	14993072	5		
	14993319	35		
	14993204	16		
	14993263	20		13 January 2026
	14993321	21		6 June 2026
	29089944	10	Guangzhou Botny	27 December 2028
	29090800	26		
	29098095	32		
	29103293	29		
	29110879	22		
	29112903	15		
	29090981	8		6 January 2029
	29091329	21		
	29091851	23		

Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	29096924	28	Guangzhou Botny	6 April 2029
	29092148	30		
	29092783	31		
	29094456	45		
	29098115	35		
	29095466	19		
	29109825	20		
	29101293	25		
	29092386	34		
	29110103	13		
	29110123	17		
	30939957	3	Guangzhou Botny	27 February 2029
保宝龙	29087363	1	Guangzhou Botny	27 December 2028
	29132231	3		
	29135697	4		
	29135800	8		
	29137850	9		
	29132847	11		
	29140308	12		
	29145536	13		
	29122144	14		
	29131641	15		
	29144423	20		



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Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	29187793	21		
	29182829	22		
	29175223	23		
	29196417	24		
	29178132	26		
	29175385	27		
	29196053	28		
	29183002	29		
	29178603	30		
	29175749	31		
	29176026	33		
	29186769	34		
	29192079	35		
	29192099	36		
	29195464	37		
	29183456	38		
	29181142	39		
	29192424	40		
	29190173	41		
	29179827	42		
	29179842	43		
	29197307	44		
	29192501	45		
	29134815	16	Guangzhou Botny	27 December 2028
	29180583	32		

Trademark	Registration Number	Class (Note)	Name of Registered Owner	Expiry Date
	29188233	25	Guangzhou Botny	20 March 2029
	29126172	18	Guangzhou Botny	20 January 2029
	29129654	10		
	29125130	5	Guangzhou Botny	13 January 2029
	29144002	7	Guangzhou Botny	6 February 2029
	29198278	41	Guangzhou Botny	6 March 2029



Note: For particulars of each class, please refer to <http://sbj.saic.gov.cn/>



As at the Latest Practicable Date, our Group has registered for registration of the following trademarks in Hong Kong which we believe are material to our business.

Trademark	Registration Number	Class (Note)	Name of registered owner	Expiry Date
	304651191	1, 2, 3, 4, 5	Guangzhou Botny	28 August 2028
	304651218	1, 2, 3, 4, 5	Guangzhou Botny	28 August 2028
保寶龍	304651182	1, 2, 3, 4, 5	Guangzhou Botny	28 August 2028

Note: For particulars of each class, please refer to <http://search.ipd.gov.hk>

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks in the PRC which we believe are material to our business:

Trademark	Registration Number	Class (Note)	Name of Applicant	Application Date
	29068938, 29067233, 29080967, 29059058, 29057140	1, 2, 3, 4, 5	Guangzhou Botny	1 February 2018
	29091289, 29093164, 29103688, 29102030, 29088003, 29104850, 29101279, 29103729, 29107000, 29097023, 29097048, 29098160, 29109228, 29109255,	6, 7, 9, 11, 12, 16, 24, 37, 38, 39, 40, 41, 42, 43		2 February 2018
保宝龙	29142041, 29132429, 29140045, 29144688	2, 6, 17, 19	Guangzhou Botny	5 February 2018
	29102769	1	Guangzhou Botny	2 February 2018
	29122890, 29143819, 29125434, 29141006, 29126603, 29126753, 29132757, 29142280, 29121883, 29128379, 29140315, 29131479, 29134718, 29130847, 29138291, 29124881, 29143100, 29136916, 29130461	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20		5 February 2018
	29184057, 29175200, 29194855, 29194889, 29194366, 29177269, 29186692, 29195389, 29192362, 29196200, 29192081, 29183398, 29190655, 29198204, 29190147, 29178247, 29186519, 29183630, 29181594	21, 22, 23, 24, 25, 28, 29, 30, 33, 34, 35, 36, 37, 39, 40, 42, 43, 44, 45		7 February 2018

Trademark	Registration Number	Class (Note)	Name of Applicant	Application Date
	29092432	1	Guangzhou Botny	2 February 2018
	29142062, 29137620, 29143522, 29125088, 29123354, 29125316, 29124414, 29139844, 29121887, 29122159, 29121902, 29121938, 29145523, 29128103, 29140224, 29131744, 29135104, 29130410, 29136966	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 15, 16, 17, 18, 19, 20		5 February 2018
	29181732, 29175192, 29181768, 29181788, 29194372, 29196039, 29186700, 29187925, 29192368, 29183260, 29177850, 29198171, 29184844, 29194131, 29185182, 29181174, 29197276, 29183607, 29196243, 29178978	21, 22, 23, 24, 25, 28, 29, 30, 33, 34, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45		7 February 2018
	35953194	3	Guangzhou Botny	15 January 2019

Note: For particulars of each class, please refer to <http://sbj.saic.gov.cn/>

Each application for registration is for one class under the Nice Classification System

2. Patents

As at the Latest Practicable Date, our Group has registered the following patents in the PRC which we believe are material to our business:

Patent	Registration Number	Name of Registered Owner	Type	Application Date	Expiry Date
A type of titanium dioxide film and preparation method thereof* (一種二氧化鈦薄膜及其製備方法)	ZL201410005791.7	Guangzhou Botny	Invention Patent (發明專利)	7 January 2014	6 January 2034
A type of raw material formula of automobile glass surface protective film and preparation method thereof* (一種汽車玻璃表面保護膜的原料配方及其製備方法)	ZL200810220224.8	Guangzhou Botny	Invention Patent (發明專利)	16 December 2008	15 December 2028

Patent	Registration Number	Name of Registered Owner	Type	Application Date	Expiry Date
A type of gun type styrofoam valve adapter* (一種槍式發泡膠閥門轉接頭)	ZL201520665822.1	Guangzhou Botny	Utility Model Patent (實用新型)	31 August 2015	30 August 2025
A type of system for adsorbing and concentrating low concentration coalbed methane for power generation* (一種吸附並濃縮低濃度煤層氣進行發電的系統)	ZL201520667826.3	Guangzhou Botny	Utility Model Patent (實用新型)	31 August 2015	30 August 2025
Polyurethane foam sealant nozzle* (聚氨酯泡沫填縫劑用噴管)	ZL201520667896.9	Guangzhou Botny	Utility Model Patent (實用新型)	31 August 2015	30 August 2025
A type of aerosol content recovery device* (一種氣霧劑內容物回收裝置)	ZL201520670275.6	Guangzhou Botny	Utility Model Patent (實用新型)	31 August 2015	30 August 2025
Nozzle for foam sealant aerosol can* (用於泡沫填縫劑氣霧罐的噴管)	ZL201520672031.1	Guangzhou Botny	Utility Model Patent (實用新型)	31 August 2015	30 August 2025
A type of polyurethane foam sealant variable diameter nozzle* (一種聚氨酯泡沫填縫劑可變徑噴管)	ZL201520672417.2	Guangzhou Botny	Utility Model Patent (實用新型)	31 August 2015	30 August 2025
Top push type aerosol nozzle* (頂部按壓式氣霧噴頭)	ZL201320161565.9	Guangzhou Botny	Utility Model Patent (實用新型)	3 April 2013	2 April 2023
Aerosol nozzle for a variety of environments* (適用於多種環境的氣霧噴頭)	ZL201320161590.7	Guangzhou Botny	Utility Model Patent (實用新型)	3 April 2013	2 April 2023
A type of tank suitable for liquid coating* (一種適用於液態塗料的罐體)	ZL201220731300.3	Guangzhou Botny	Utility Model Patent (實用新型)	27 December 2012	26 December 2022
A type of tale wax* (一種表板蠟)	ZL201610436201.5	Guangzhou Botny	Invention Patent (發明專利)	17 June 2016	16 June 2036
A type of carburetor cleaning agent and preparation method thereof* (一種化油器清洗劑及其製備方法)	ZL201610436203.4 ZL201610435305.4	Guangzhou Botny	Invention Patent (發明專利)	17 June 2016	16 June 2036
Cosmetic aerosol spray nozzle and cosmetic aerosol can* (化妝品氣霧劑噴頭及化妝品氣霧罐)	ZL201620638535.6	Guangzhou Euro Asia	Utility Model Patent (實用新型)	23 June 2016	22 June 2026
Cosmetic foam aerosol spray nozzle and aerosol can* (化妝品泡沫氣霧劑噴頭及氣霧罐)	ZL201620638533.7	Guangzhou Euro Asia	Utility Model Patent (實用新型)	23 June 2016	22 June 2026

Patent	Registration Number	Name of Registered Owner	Type	Application Date	Expiry Date
Transparent aerosol can* (內部可視的氣霧罐)	ZL201620638532.2	Guangzhou Euro Asia	Utility Model Patent (實用新型)	23 June 2016	22 June 2026
A type of non-cleaning hand washing liquid and preparation method thereof* (一種免洗洗手 液及其製備方法)	ZL201510701742.1	Guangzhou Euro Asia	Invention Patent (發明專利)	22 October 2015	21 October 2035

* *English translation of its Chinese counterpart is for reference only*

As at the Latest Practicable Date, our Group has applied for registration of the following patent in the PRC which we believe is material to our business:

Patent	Application Number	Name of Applicant	Application Date
A type of lubricating rust inhibitor and preparation method thereof* (一種潤滑防銹劑及其製備方法)	201610534819.5	Guangzhou Botny	7 July 2016
A type of oil-water double-coating liquid for automobile glass* (一種用於汽車玻璃的油水雙疏塗層液)	201810296569.5	Guangzhou Botny	3 April 2018
A type of automobile interior aerosol paint and preparation method thereof* (一種汽車內飾氣霧漆及其製備方法)	201811016983.2	Guangzhou Botny	31 August 2018
A type of concentrated multifunctional cleaning and curing car wash liquid* (一種濃縮型多功能清潔養護洗車液)	201810296568.0	Guangzhou Botny	3 April 2018
A hydroxyethyl phosphate methacrylate, an acrylic resin and a silver-proof aluminum paint* (一種甲基丙烯酸羟乙基磷酸酯、丙烯酸樹脂及防掉銀鋁粉漆)	201811421995.3	Guangzhou Botny	26 November 2018
A bactericidal detergent with color indication function, its preparation method and applicant* (一種具有顏色指示功能的殺菌清潔劑、其製備方法及其應用)	201910307404.8	Guangzhou Botny	16 April 2019

* *English translation of Chinese counterpart is for reference only*

3. Copyright

As at the Latest Practicable Date, our Group has the following copyrights which we believe are material to our business:

Title	Number	Name of Owner	First publication date	Registration Date
Botny production activated ultra-pure water automatic purification treatment system V1.0* (保賜利生產活化超純水自動淨化處理系統V1.0)	2011SR039675	Guangzhou Botny	14 September 2009	22 June 2011
Botny Colour Automatic Identification and Comparison System V1.0* (保賜利色彩自動識別對比系統V1.0)	2011SR039673	Guangzhou Botny	21 January 2009	22 June 2011
Botny automatic ingredients and background management system V1.0* (保賜利自動配料及後台管理系統V1.0)	2011SR039671	Guangzhou Botny	Not yet published	22 June 2011
Botny Car Simulation System V1.0* (保賜利車載模擬系統V1.0)	2011SR039669	Guangzhou Botny	3 September 2008	22 June 2011
Botny production line automatic detection system V1.0* (保賜利生產線自動檢測系統V1.0)	2011SR039665	Guangzhou Botny	Not yet published	22 June 2011
Botny Material Automatic Analysis and Recognition System V1.0* (保賜利材料自動分析識別對比系統V1.0)	2011SR039663	Guangzhou Botny	Not yet published	22 June 2011

Title	Number	Name of Owner	First publication date	Registration Date
Botny Production Safety Monitoring and Automatic Fire Fighting System V1.0* (保賜利生產安全監控及自動消防系統V1.0)	2011SR039505	Guangzhou Botny	Not yet published	22 June 2011
Botny KP production line safety monitoring and linkage system V1.0* (保賜利KP生產線安全監控及聯動系統V1.0)	2011SR039503	Guangzhou Botny	17 January 2008	22 June 2011
Botny aerosol production line, propellant filling room, flammable gas concentration detection, alarm system V1.0* (保賜利氣霧劑生產線拋射劑充填房可燃氣體濃度探測、報警系統V1.0)	2019SR0029125	Guangzhou Botny	Not yet published	9 January 2019
Botny aerosol production line emergency cut-off, forced exhaust linkage control system V1.0* (保賜利氣霧劑生產線緊急切斷、強制排風聯動控制系統V1.0)	2019SR0029133	Guangzhou Botny	Not yet published	9 January 2019
Botny aerosol product automatic packing, stacking system V1.0* (保賜利氣霧劑產品自動裝箱、堆碼系統V1.0)	2019SR0032193	Guangzhou Botny	Not yet published	10 January 2019
Botny aerosol product sealing shape graphic recognition system V1.0* (保賜利氣霧劑產品封口形狀圖形識別系統V1.0)	2019SR0032988	Guangzhou Botny	Not yet published	10 January 2019

Title	Number	Name of Owner	First publication date	Registration Date
Botny aerosol product sealing size online detection and control system V1.0* (保賜利氣霧劑產品封口尺寸線上檢測及控制系統 V1.0)	2019SR0032046	Guangzhou Botny	Not yet published	10 January 2019
Botny binary packaging aerosol product internal pressure line detection and automatic control system V1.0* (保賜利二元包裝氣霧劑產品內壓力在線檢測及自動控制系統 V1.0)	2019SR0030535	Guangzhou Botny	Not yet published	9 January 2019

* English translation of Chinese counterpart is for reference only

4. Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which we believe are material to our business:

Domain Name	Name of Registered Owner	Registration Date	Expiry Date
botny.com	Guangzhou Botny	7 December 2001	7 December 2026
保賜利.cn	Guangzhou Botny	29 May 2003	21 July 2025
botny.net	Guangzhou Botny	16 August 2006	16 August 2020
botny.cn	Guangzhou Botny	3 November 2005	3 November 2027
保賜利.com	Guangzhou Botny	16 August 2006	16 August 2020
保賜利化工.cn	Guangzhou Botny	18 August 2015	18 August 2035
保賜利化工.com	Guangzhou Botny	18 August 2015	18 August 2035

D. DISCLOSURE OF INTERESTS**1. Interests and short positions of our Directors and chief executive in our Shares, underlying Shares and debentures of our Company and its associated corporations**

Immediately following completion of the Spin-off, taking no account of (i) any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme; and (ii) any China Aluminum Cans Shares that may be allotted and issued upon the exercise of the China Aluminum Cans Share Options or any China Aluminum Cans Shares which may be issued upon the exercise of any conversion right attached to the Convertible Notes which may affect the number of Shares under the Distribution, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(a) Long position in Shares

Name of Director	Capacity/nature of interest	Number of Shares (Note 2)	Approximate percentage of shareholding interests of our Company
Mrs. Lin (Note 1)	Interest of spouse	174,788,500(L)	74.52%
Mr. Poon Tak Ching	Beneficial interest	368,500(L)	0.16%

(b) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/nature	No. of share(s) held (Note 2)	Percentage of interest in Wellmass
Mrs. Lin (Note 1)	Wellmass	Interest of spouse	67,000,000(L)	100%

Notes:

- (1) Following completion of the Spin-off and assuming its shareholding in China Aluminum Cans remains unchanged from the Latest Practicable Date to the Distribution Record Date, Mr. Lin will hold 107,788,500 Shares whereas Wellmass will hold 67,000,000 Shares. By virtue of the SFO, Mrs. Lin is deemed to be interested in our Shares held by Mr. Lin and the shares of Wellmass held by Mr. Lin. Accordingly, Mrs. Lin is deemed to be interested in the same number of Shares in which Mr. Lin and Wellmass will be interested.
- (2) Fractional entitlements of our Shares under the Distribution may be taken into account in calculating the interests shown above, and accordingly the number of Shares in which they are, or are deemed to be interested, as well as the shareholding percentages, are approximate only. The letter “L” denotes the person’s long position in our Shares.

2. Interests and short positions of Substantial Shareholders in our Shares, and underlying Shares of our Company

So far as it is known to our Directors and save as disclosed in the section headed “Relationship with our Controlling Shareholders” in this listing document, immediately following completion of the Spin-off (taking no account of (i) any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme; and (ii) any China Aluminum Cans Shares that may be allotted and issued upon the exercise of the China Aluminum Cans Share Options or any China Aluminum Cans Shares which may be issued upon the exercise of any conversion right attached to the Convertible Notes which may affect the number of Shares under the Distribution), the following persons (not being a Director or chief executive of our Company) will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in Shares

Name	Capacity/Nature of interest	Number of Shares (Note 2)	Approximate percentage of shareholding interests of our Company
Wellmass (Note 1)	Beneficial owner	67,000,000(L)	28.56%
Mr. Lin (Note 1)	Interest in a controlled corporation	67,000,000(L)	28.56%
	Beneficial owner	107,788,500(L)	45.96%

Notes:

- (1) Immediately following completion of the Spin-off and assuming that its shareholding in China Aluminum Cans remains unchanged from the Latest Practicable Date to the Distribution Record Date, Wellmass will hold 67,000,000 Shares. Wellmass is wholly-owned by Mr. Lin. By virtue of the SFO, Mr. Lin is deemed to be interested in our Shares held by Wellmass.
- (2) Fractional entitlements of our Shares under the Distribution may be taken into account in calculating the interests shown above, and accordingly the number of Shares in which they are, or are deemed to be interested, as well as the shareholding percentages, are approximate only. The letter “L” denotes the person’s long position in our Shares.

3. Particulars of service agreements

Each of the executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

- (a) Each service agreement is for an initial fixed term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by either party by giving not less than three months’ notice in writing at any time after such initial fixed term to the other, provided that our Company may terminate the agreement by giving to the executive Director not less than three months’ prior notice in writing at any time after the date of the agreement. The appointment shall terminate automatically in the event of the executive Director ceasing to be an executive Director for whatever reason.
- (b) Under the arrangements currently proposed, conditional upon the Listing, the annual remuneration (excluding payment pursuant to any discretionary benefits or bonus, granting of share options or other fringe benefits) payable by our Group to Mrs. Lin, Ms. Flora Lin, Mr. Alex Lin and Mr. Yang will be approximately HK\$990,000, HK\$614,496, HK\$614,496 and HK\$330,000 respectively.
- (c) Each of the executive Directors may be entitled to, if so recommended by our remuneration committee and approved by our Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director.

Each of the independent non-executive Directors has entered into a service agreement with our Company under which each of them is appointed for a period of one year commencing from the Listing Date and shall continue thereafter until it is terminated by either party giving at least one month notice in writing. The annual Director’s fee payable to each of the independent non-executive Directors under their respective letter of appointment shall be HK\$180,000. Save for the annual Director’s fees mentioned above, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors

During the Track Record Period, our Directors confirmed that our Group's remuneration policy for our Directors and senior management members of the subsidiaries were based on their experience, level of responsibility and general market conditions. Any discretionary bonus was linked to the business performance of our Group and the individual performance of such Directors and senior management members. Our Company intends to adopt the same remuneration policy after the Listing, subject to the review by and the recommendations of our remuneration committee.

For the three years ended 31 December 2018, the aggregate amount of fees, salaries, allowances, benefits in kind, discretionary performance-related bonuses and contribution to pension schemes paid by our Group to our Directors were approximately HK\$0.7 million, HK\$0.8 million and HK\$0.8 million, respectively.

Further information in respect of our Directors' emoluments is set out in "Appendix I — Accountants' Report" to this listing document. It is expected that under the arrangements currently in force, the aggregate remuneration (including directors fee, salaries, allowances, benefits in kind, discretionary performance-related bonuses and contribution to pension schemes) payable by our Group to our Directors (including the independent non-executive Directors) for the year ending 31 December 2019 will be approximately HK\$2.1 million.

The executive Directors have been granted Pre-IPO Share Options under the Pre-IPO Share Option Scheme described in the section headed "Appendix V — Statutory and general information — A. Further information about our Company — E. Pre-IPO Share Option Scheme" in this listing document.

Save as disclosed in "Appendix I — Accountants' Report" to this listing document, none of our Directors received any remuneration or benefits in kind from our Group during the Track Record Period.

5. Disclaimers

Save as disclosed in this listing document:

- (a) so far as our Directors are aware, none of our Directors or chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Spin-off and the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she will be taken or deemed to have under the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed, or which will be required, pursuant to the Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, once our Shares are listed;

- (b) so far as our Directors are aware, none of our Directors and experts referred to under the heading “6. Qualifications of experts” of this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this listing document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors and experts referred to under the heading “6. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service agreements with any member of our Group, excluding agreements which are determinable by the employer within one year without payment of compensation other than statutory compensation;
- (e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, our Directors are not aware of any person, not being a Director of our Company, who will, immediately following completion of the Spin-off, be interested in or has short positions in our Shares or underlying shares of our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once our Shares are listed, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of the experts referred to under the heading “6. Qualifications of experts” of this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of our Directors, their associates or any shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our Company’s issued share capital) has any interest in our Group’s five largest suppliers and five largest clients.

6. Agency fees or commissions received

Save as disclosed in the sections headed “Directors, senior management and employees” and “Appendix I — Accountant’s Report” in this listing document, none of our Directors, or the experts named in the section headed “Appendix V — Statutory and general information — G. Other information — 6. Qualifications of experts” in this listing document had received any agency fee, commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years immediately preceding the date of this listing document.

7. Related party transactions

For details of the related party transactions of our Group entered into within two years immediately preceding the date of this listing document, please refer to “Appendix I — Accountants’ Report” to this listing document.

E. PRE-IPO SHARE OPTION SCHEME

To recognise and motivate the contributions that certain executive Directors, members of the senior management and other employees have made or may make to our Group, our Company conditionally adopted the Pre-IPO Share Option Scheme on 18 March 2019. The principal terms of the Pre-IPO Share Option Scheme, are substantially the same as the terms of the Share Option Scheme except for the following:

- (a) eligible participants of the Pre-IPO Share Option Scheme include only Eligible Employees (as defined in the section headed “Appendix V — Statutory and general information — F. Share Option Scheme” in this listing document) and non-executive directors (including independent non-executive directors) of members of our Group or Invested Entities (as defined in the section headed “Appendix V — Statutory and general information — F. Share Option Scheme” in this listing document);
- (b) subject to adjustment in the event of alteration to share capital of our Company as provided for in paragraph 14 of the section headed “Appendix V — Statutory and general information — F. Share Option Scheme” in this listing document, the total number of Shares subject to the Pre-IPO Share Option Scheme is 7,765,000 Shares;
- (c) subject to adjustment in the event of alteration to share capital of our Company as provided for in paragraph 14 of the section headed “Appendix V — Statutory and general information — F. Share Option Scheme” in this listing document, the exercise price for our Shares under the Pre-IPO Share Option Scheme shall be HK\$2.17 per Share;
- (d) the individual limit applicable to each proposed grantee and the restrictions on grant of options as referred to in paragraphs 7 and 8 of the section headed “Appendix V — Statutory and general information — F. Share Option Scheme” in this listing document respectively, do not apply;
- (e) subject to paragraph (f) below and the provisions for early termination contained therein, no further options may be granted after Listing. Subject to the above, in all other respects, in particular, in respect of options remaining then outstanding, the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect; and
- (f) the Pre-IPO Share Option Scheme (and the options granted thereunder) is conditional upon, among other things: (i) the Stock Exchange granting the approval of the listing of and permission to deal in our Shares in issue and our Shares to be issued pursuant to the Spin-off and any Shares which may fall to be issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme; (ii) the commencement of dealings in our Shares on the Stock Exchange; (iii) the passing by the China Aluminum Cans Shareholders in

accordance with the Listing Rules and all applicable laws at the extraordinary general meetings of China Aluminum Cans of resolution approving the Pre-IPO Share Option Scheme; and (iv) the passing by our Board and our sole Shareholder of resolution approving and adopting the Pre-IPO Share Option Scheme.

Present status of the Pre-IPO Share Option Scheme

On 17 May 2019, the Pre-IPO Share Options to subscribe for an aggregate of 7,765,000 Shares were granted to certain executive Directors, members of the senior management and other employees of our Group.

Based on the number of China Aluminum Cans Shares as at the Latest Practicable Date, the Pre-IPO Share Options represent (i) approximately 3.3% of the total issued share capital of our Company immediately upon completion of the Spin-off (assuming none of the Pre-IPO Share Options have been exercised); and (ii) approximately 3.2% of the total issued share capital of our Company immediately upon completion of the Spin-off (assuming all Pre-IPO Share Options have been exercised in full).

Assuming all outstanding China Aluminum Cans Share Options have been fully exercised and all outstanding Convertible Notes have been fully converted into China Aluminum Cans Shares prior to the Distribution Record Date, the Pre-IPO Share Options represent (i) approximately 2.6% of the total issued share capital of our Company immediately upon completion of the Spin-off (assuming none of the Pre-IPO Share Options have been exercised); and (ii) approximately 2.5% of the total issued share capital of our Company immediately upon completion of the Spin-off (assuming all Pre-IPO Share Options have been exercised in full).

A breakdown of the grantees by category under the Pre-IPO Share Option Scheme is set out below:

Category of grantees	Number of grantees	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme
Executive (“ Director Grantees ”)	4	1,800,000
Senior management of our Group (“ Management Grantees ”)	3	560,000
Employees of our Group (“ Employee Grantees ”)	112	5,405,000

Save as disclosed above, no options have been granted or will be granted under the Pre-IPO Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme and the offer letters in respect of the grant of the options:

- (i) In respect of each grantee, the options conditionally granted to him/her under the Pre-IPO Share Option Scheme are subject to the following vesting and exercise period:
 - (1) 50% of the options shall become vested and exercisable on the 1st anniversary date of the Listing Date (the “**1st Vesting Date**”), and the exercise period in respect thereof shall commence on the 1st Vesting Date and end on the day immediately before the 10th anniversary date of the offer date (the “**Expiration Date**”) (both dates inclusive).
 - (2) 50% of the options shall become vested and exercisable on the 2nd anniversary date of the Listing Date (the “**2nd Vesting Date**”), and the exercise period in respect thereof shall commence on the 2nd Vesting Date and end on the Expiration Date (both dates inclusive).
- (ii) Subject to adjustment in the event of alteration to share capital of our Company as provided for in paragraph 14 of the section headed “Appendix V — Statutory and general information — F. Share Option Scheme” in this listing document, the exercise price for our Shares under the Pre-IPO Share Option Scheme shall be HK\$2.17 per Share.
- (iii) A nominal consideration of HK\$1 is payable by each grantee on acceptance of the grant of options under the Pre-IPO Share Option Scheme.

As at the Latest Practicable Date, other than the Director Grantees, none of the grantees is a connected person of our Company. Pursuant to Rule 8.24 of the Listing Rules, the Stock Exchange will not regard any Shares to be issued upon exercise of options granted under the Pre-IPO Share Option Scheme and held by a connected person as being “in public hands”. The Pre-IPO Share Option Scheme provides that a grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the issue and allotment of our Shares upon such exercise of the options granted under the Pre-IPO Share Option Scheme. Each of the grantees has also undertaken to our Company that he/she will not exercise any options granted under the Pre-IPO Share Option Scheme to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the issue and allotment of our Shares upon such exercise of the options under the Pre-IPO Share Option Scheme.

An application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, our Shares to be issued and allotted by our Company pursuant to the exercise of the Pre-IPO Share Options.

Our Company has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules. For further details, please refer to the section headed “Waivers from strict compliance with the Listing Rules — Waiver in relation to the Pre-IPO Share Option Scheme” in this listing document.

Outstanding Pre-IPO Share Options

Particulars of the outstanding options which have been granted to 119 persons, including 4 executive Directors, 3 senior management, 2 employees whom hold the Pre-IPO Share Options which entitle them options to subscribe for 200,000 Shares or more under the Pre-IPO Share Option Scheme as at the Latest Practicable Date are set out below:

Name of the grantees	Position(s) within our Group	Residential address <i>(Note 1)</i>	Number of the underlying Shares	Approximate % of issued share capital of our Company immediately upon Listing	Approximate % of issued share capital of our Company immediately upon Listing
				<i>(Note 2)</i>	<i>(Note 3)</i>
Director Grantees					
Ko Sau Mee	Executive Director, chairman and chief executive officer	57/F, Block 27, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon Hong Kong	500,000	0.21%	0.17%
Lin Hing Lei	Executive Director and head of procurement department	57/F, Block 27, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon Hong Kong	500,000	0.21%	0.17%
Lin Hing Lung	Executive Director and head of sales and marketing department	57/F, Block 27, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon Hong Kong	500,000	0.21%	0.17%
Mr. Yang Xiaoye (楊小業)	Executive Director, head of safety department and quality control and technical supervision department and supervisor of Guangzhou Botny	Room 1402, No. 1 Yijingyi Street, Taiping Town, Conghua District, Guangzhou, the PRC* (中國廣州市從化區太平鎮怡景一街1號1402室)	300,000	0.13%	0.10%

APPENDIX V

STATUTORY AND GENERAL INFORMATION

Name of the grantees	Position(s) within our Group	Residential address <i>(Note 1)</i>		Approximate % of issued share capital of our Company immediately upon Listing <i>(Note 2)</i>	Approximate % of issued share capital of our Company immediately upon Listing <i>(Note 3)</i>
			Number of the underlying Shares		
Management Grantees					
Ms. Zeng Caixia	Finance manager	No. 11, Dawei Team, Longxing Village, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市從化區鰲頭鎮龍星村大圍隊11號)	180,000	0.08%	0.06%
Mr. Zhang Zhiming (張志明)	Head of production department	No. 6 Zhang Xiaowan, Lianfeng Village, Yangling Town, Yingcheng City, Hubei Province, the PRC (中國湖北省應城市楊嶺鎮聯豐村張小灣6)	200,000	0.09%	0.07%
Ms. Liu Hua (劉花)	Senior sales manager	Room 302, Building 3, No. 11, Heming Road, Chengjiao Street, Conghua District, Guangzhou City, Guangdong Province, the PRC (中國廣東省從化市城郊街和鳴路11號3棟302房)	180,000	0.08%	0.06%
Employee Grantees					
Mr. Lee Kam Fai	Company secretary	Flat C, 16/F, Tower H1 De Novo, 3 Muk Chui Street Kai Tak Kowloon City Kowloon, Hong Kong	500,000	0.21%	0.17%
Mr. Ruan Xinjun (阮信鈞)	Head of personal care sales team	No. 195 Fengming Road Shiqi District, Zhongshan City Guangdong Province, the PRC (中國廣東省中山市石岐區鳳鳴路195號)	200,000	0.09%	0.07%
Other grantees	Employees	N/A	4,705,000	2.00%	1.58%
Total					
119			7,765,000	3.31%	2.62%

Notes:

- The English names of Chinese natural persons and their residential addresses are only unofficial English translation for identification purposes only, and in the event of any inconsistency between the Chinese names of the Chinese natural persons and their residential addresses and their English translation, the Chinese names and residential addresses shall prevail.
- Based on the number of China Aluminum Cans Shares in issue as at the Latest Practicable Date.
- Assuming full exercise of the China Aluminum Cans Share Options and full conversion of the Convertible Notes prior to the Distribution Record Date.

Financial effect

Any exercise of the Pre-IPO Share Options and issuance of our Shares thereunder would result in (i) a dilution of the percentage shareholding of our Shareholders in our Shares; and (ii) a decrease in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after the issuance, assuming other factors remain unchanged.

Based on the number of China Aluminum Cans Shares in issue as at the Latest Practicable Date and assuming that the total number of China Aluminum Cans Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date, if all Pre-IPO Share Options are exercised in full, the percentage shareholding of our Shareholders in our Shares would be diluted by, and our earnings per Share and net asset value per Share would decrease, by approximately 3.2%.

Assuming all outstanding China Aluminum Cans Share Options have been fully exercised and all outstanding Convertible Notes have been fully converted into China Aluminum Cans Shares prior to the Distribution Record Date, if all Pre-IPO Share Options are exercised in full, the percentage shareholding of our Shareholders in our Shares would be diluted by, and our earnings per Share and net asset value per Share would decrease, by approximately 2.5%.

By virtue of granting these share options, share option expenses of approximately HK\$2.2 million, HK\$3.0 million and HK\$0.8 million are expected to be charged to our Group's income statement for the three years ending 31 December 2021 respectively, based on the fair value of the options granted under the Pre-IPO Share Option Scheme as at 31 December 2018.

F. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders of our Company passed on 18 March 2019 are set out below:

1. Purpose of the Share Option Scheme

The Share Option Scheme is an incentive scheme established to recognise and motivate the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieve the following principal objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, “Eligible Participants” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

Our Board may at its discretion grant options to:

- (i) any Eligible Employees. “**Eligible Employees**” means any employee (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital (“**Invested Entity**”);
- (ii) any non-executive director (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services of any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

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

The basis of eligibility of any participant to be granted any option shall be determined by our Directors (or as the case may be, our independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

3. Subscription Price of Shares

The subscription price for any Share under the Share Option Scheme shall subject to any adjustments made pursuant to paragraph 14 below, be a price determined by our Directors and shall not be less than the highest of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date. For the purpose of calculating the exercise price where our Company has been listed for less than five Trading Days, the closing price of our Shares for the Listing Date.

4. Grant of options and acceptance of offers

An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as our Directors may determine) in favour of our Company as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

5. Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) to (iv) below and assuming that the total number of China Aluminum Cans Shares in issue remains unchanged from the Latest Practicable Date to the Distribution Record Date, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme, the Pre-IPO Share Option Scheme and any other schemes (including options granted under the Pre-IPO Share Option Scheme in respect of 7,765,000 Shares) shall not, in aggregate, exceed 10% of our Shares in issue as at the Listing Date, being 23,454,475 Shares (the "**Scheme Mandate Limit**") unless approved by our Shareholders pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by our Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of our Shares in issue as at the date of approval of such renewal by our Shareholders. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to our Shareholders containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.

- (iii) Subject to sub-paragraphs (iv) below, our Directors may seek separate shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to our Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, the Pre-IPO Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if such grant will result in the said 30% limit being exceeded.

6. Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of our Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme and the Pre-IPO Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of our Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (i) approval of our Shareholders at general meeting, with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant must be sent by our Company to our Shareholders with such information from time to time as required by the Listing Rules;
- (iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before our Shareholders' approval mentioned in (i) above; and
- (iv) for the purpose of calculating the minimum exercise price for our Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

7. Requirements on granting options to certain core connected persons

Any grant of options to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an Independent Non-executive director who or whose associate is a proposed grantee of an option).

Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the total number of our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of our Shares at the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders by poll in a general meeting where the grantee, his/her associates and core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the Listing Rules.

8. Restrictions on the time of grant of options

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. **"Inside information"** has the meaning defined in the SFO.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

9. Time of exercise of option

An option may (and may only) be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Directors may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that our Directors may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the allotment and issue of our Shares upon such exercise of the option.

10. Performance targets

Save as determined by our Directors and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

11. Ranking of Shares

Our Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles for the time being in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

13. Rights on cessation of employment

- (i) In the event of death of the grantee (being an individual) before exercising the option in full, his/her personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not already exercised) within a period of 12 months following his/her death or such longer period as our Directors may determine.
- (ii) In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his/her death, or the termination of his/her employment pursuant to paragraph 18(v), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as our Directors may determine. The date of cessation as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine.

14. Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company while an option remains exercisable or the Share Option Scheme remains in effect, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of share capital of

our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate so far as unexercised; and/or the subscription price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules and give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value, provided that in such circumstance, the subscription price shall be reduced to the nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of our Company or the auditor(s) of our Company must confirm to our Board in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

15. Rights on a general offer

If a general or partial offer (whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event notice is given by our Company to our Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting of our Company to consider the winding-up and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

18. Lapse of options

An option (to the extent not already exercised) shall automatically lapse and not be exercisable on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph 13 above;
- (iii) subject to paragraph 16 above, the date of the commencement of the winding-up of our Company;
- (iv) the expiry of the period referred to in paragraph 17 above;
- (v) the date on which the grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his/her employment contract or other contract constituting him/her an Eligible Employee, or the date on which he/she begins to appear to be unable to pay or has no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he/she has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by our Board;
- (vi) in respect of a grantee other than an Eligible Employee, the date on which our Directors shall at their absolute discretion determine that (i)(a) such grantee has committed any breach of any contract entered into between such grantee on one part and our Group or any Invested Entity on the other part; or (b) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (c) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in subparagraph (i)(a), (b) or (c) above, unless otherwise resolved to the contrary by our Board;

(vii) the expiry of the period referred to in paragraph 15 above; and

(viii) the date on which the grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the option or an event, in respect to a grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by our Board.

If the grantee is a company wholly-owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(i) and (ii), 18(v) and (vi) shall apply to the grantee and to the options granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(i) and (ii), 18(v) and (vi) shall occur with respect to the relevant Eligible Participant; and
- (2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant Eligible Participant,

provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Cancellation of options granted but not yet exercised

Our Directors shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by our Shareholders as mentioned in the Share Option Scheme from time to time.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect.

Our Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to the minimum period for which an option must be held before it can be exercised.

21. Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that the terms and conditions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees except with the prior approval

of our Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of our Shareholders under the Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme).

Subject to the above paragraphs, our Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by our Directors to implement the terms of the Share Option Scheme.

22. Termination to the Share Option Scheme

Our Company by ordinary resolution in general meeting or our Directors may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting the approval of the listing of and permission to deal in our Shares in issue and our Shares to be issued pursuant to the Spin-off and any Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme; (ii) the commencement of dealings in our Shares on the Stock Exchange; (iii) the passing by our Board and our sole Shareholder of resolution approving and adopting the Share Option Scheme; and (iv) the passing by the China Aluminum Cans Shareholders in accordance with the Listing Rules and all applicable laws at the extraordinary general meetings of China Aluminum Cans Shareholders of resolution approving the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in our Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of our Shares in issue as at the Listing Date.

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

G. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have, entered into a Deed of Indemnity in favour of our Company (on its own behalf and as trustee for each member of our Group) pursuant to which our Controlling Shareholders have agreed to jointly and severally indemnify each of the members of our Group against, inter alia, the following:

- (a) the amount of any and all taxation which might fall on any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into on or before the date on which the Spin-off becomes unconditional;
- (b) any actions, claims, losses, payments, charges, settlement payment, costs, penalties, damages or expenses which any or all of the member of our Group may incur or suffer as a result of or in connection with any failure by any or all of the member of our Group to comply with the relevant laws and regulations of Hong Kong, the Cayman Islands, PRC, Japan or any jurisdiction that is relevant to our Group's business, including but not limited to those set out in the section headed "Regulatory overview" in this listing document upon or before the Listing Date;
- (c) any duty, tax or levy which is or hereafter become or should have become payable by our Group by reason of the import or re-import of any dutiable goods, materials or machinery or import or re-import of any processed or semi-finished dutiable goods, materials or machinery or import or re-import of any processed or semi-finished dutiable goods, materials or machinery on or before the Listing Date on which duty, tax or levy has to be paid to the customs and excise authority or other governmental authority in Hong Kong or other parts of the world pursuant to their respective laws and regulations.

- (d) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly and reasonably incur in connection with:
 - (i) the investigation, assessment or the contesting of any claim;
 - (ii) the settlement of any claim under the Deed of Indemnity;
 - (iii) any legal or arbitration proceedings in which any of the member of our Group claims under or in respect of the Deed of Indemnity and in which judgment or award is given in favour of any of the member of our Group; or
 - (iv) the enforcement of any such settlement or judgment or award.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) provision, reserve or allowance has been made for such taxation liability in the audited accounts of our Company or any member of our Group for each of the three years ended 31 December 2016, 2017 and 2018; or
- (b) the taxation or liability falling on any member of our Group on or after the Listing Date except liability or claim for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by our Company or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of our Controlling Shareholders other than any such act, omission or transaction:
 - (i) carried out or in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or
 - (iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of our Group for the purposes of any matter of taxation on or before the Listing Date; or
- (c) the taxation liability arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in law or practice coming into force after the date of this Deed of Indemnity or any retrospective increase in tax rates coming into force after the date of this Deed of Indemnity; or

- (d) any provisions or reserve made for taxation, taxation claim or liability in the audited accounts of our Company or any member of our Group for each of the three years ended 31 December 2016, 2017 and 2018 which is finally established to be an over-provision or an excessive reserve, then our Controlling Shareholders' liability (if any) in respect of such taxation, taxation claim or liability shall be reduced by an amount not exceeding such over-provision or excessive reserve; or
- (e) for which any member of our Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gains earned, accrued or received or transactions in the ordinary course of its business after the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this listing document, to the best of our Directors' knowledge, there is no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group's financial condition or results of operation.

3. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme on the Stock Exchange.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The fees of the Sole Sponsor are HK\$5 million and are payable by our Company.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK50,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this listing document:

Name	Qualification
China Tonghai Capital Limited	A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified Public Accountants
Appleby	Legal adviser to our Company as to Cayman Islands law
China Insights Industry Consultancy Limited	Industry Consultant
China Commercial Law Firm	Legal adviser to our Company as to PRC laws
Roma Appraisals Limited	Property Valuer
Soga Law Office	Legal adviser to our Company as to Japan law
Hogan Lovells	Legal adviser to our Company as to International Sanctions laws

7. Consents of experts

Each of the parties listed in the section headed “Appendix V — Statutory and general information — G. Other information — 6. Qualifications of experts” in this listing document has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its letter, report, valuation certificate, opinion and/or references to its name (as the case may be), all of which are dated the date of this listing document, in the form and context in which they respectively appear in this listing document.

8. Share Registrars

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

9. No material adverse change

Our Directors confirm that there has been no material adverse change in our financial prospects of our Company or its subsidiaries since 31 December 2018 (being the date to which the latest audited financial statements of our Company were made up).

10. Miscellaneous

Save as disclosed herein:

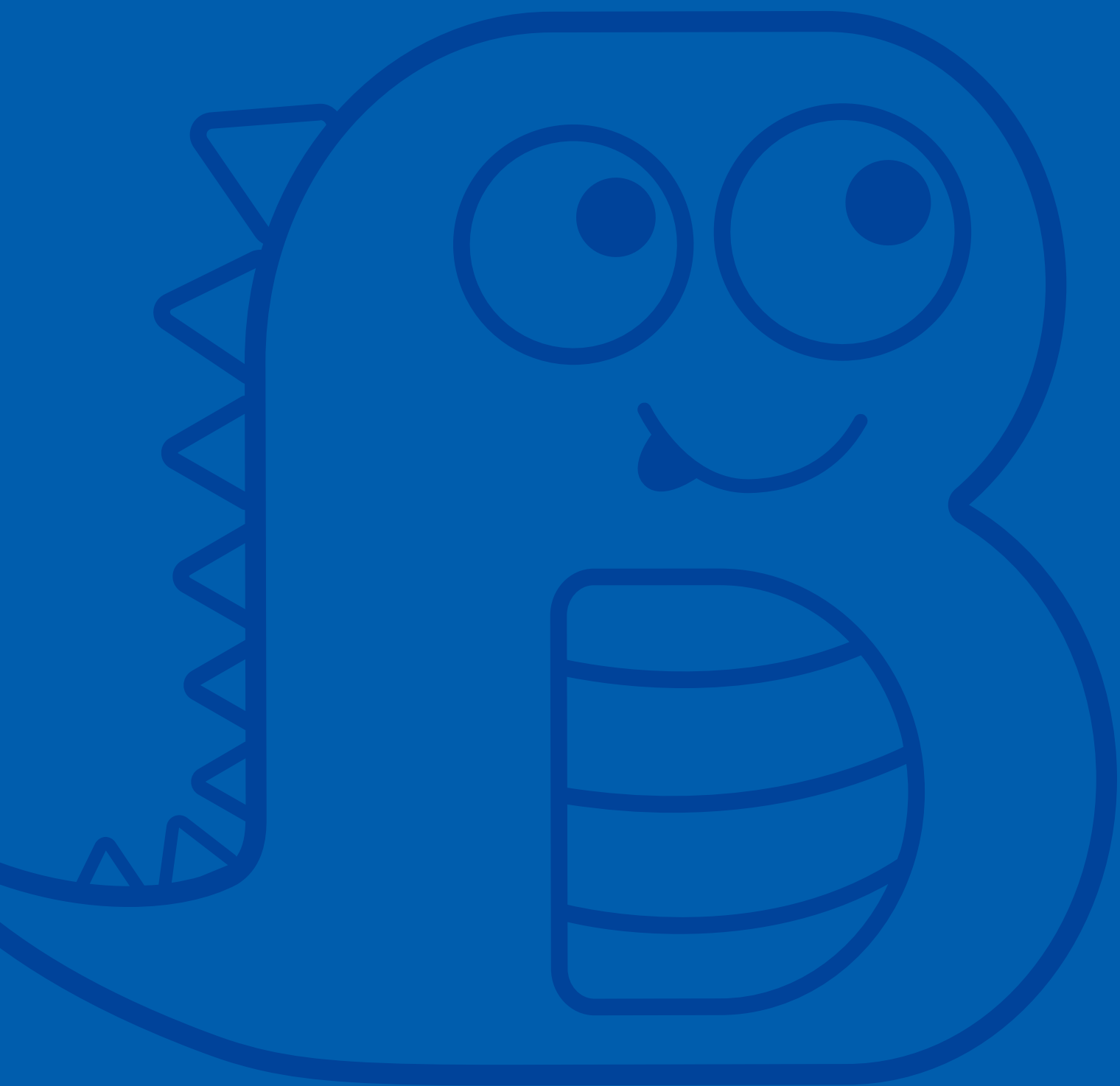
- (a) within the two years immediately preceding the date of this listing document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) all necessary arrangements have been made enabling our Shares to be admitted into CCASS;
- (d) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (e) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this listing document;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (h) in case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

1. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Hastings & Co. at 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this listing document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountant's Report of Ernst & Young, the text of which is set out in Appendix I in this listing document;
- (c) the report from Ernst & Young relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II in this listing document;
- (d) the audited combined financial statements of our Group for the three years ended 31 December 2018;
- (e) the letter of advice prepared by Appleby, our legal advisers as to Cayman Islands laws, summarising the constitution of our Company and certain aspects of Cayman Islands company law as referred to in Appendix IV in this listing document;
- (f) the legal opinion issued by China Commercial Law Firm, our legal advisers as to PRC laws, relating to certain aspects of our Group in the PRC;
- (g) the legal opinion issued by Soga Law Office, our legal advisers as to Japanese laws, relating to certain aspects of our Group in Japan;
- (h) the written consents referred to in the section headed "Appendix V — Statutory and general information — G. Other information — 7. Consents of experts" in this listing document;
- (i) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme;
- (j) the industry report referred to in the section headed "Industry overview" in this listing document;
- (k) the valuation report issued by Roma Appraisals Limited;
- (l) the material contracts referred to in the section headed "Appendix V — Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts" in this listing document;
- (m) the Companies Law;

- (n) the service agreements or letters of appointment of our Directors referred to in the section headed “Appendix V — Statutory and general information — D. Disclosure of interests — 3. Particulars of service agreements” in this listing document;
- (o) the legal memorandum issued by Hogan Lovells relating to certain International Sanctions laws; and
- (p) the list of all the grantees who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.



Precious Dragon Technology Holdings Limited
保寶龍科技控股有限公司