

# 中國鋁罐控股有限公司

China Aluminum Cans Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6898

## INTERIM REPORT 2019



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Lin Wan Tsang (*Chairman*)  
Mr. Dong Jiangxiong

#### Non-executive Director

Mr. Kwok Tak Wang

#### Independent Non-executive Directors

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

### COMMITTEES OF THE BOARD

#### Audit Committee

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

#### Remuneration Committee

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

#### Nomination Committee

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

### Risk Management Committee

Mr. Chung Yi To (*Chairman*)  
Mr. Kwok Tak Wang  
Dr. Lin Tat Pang  
Mr. Yip Wai Man Raymond

### AUTHORIZED REPRESENTATIVES

Mr. Lin Wan Tsang  
Ms. Ho Wing Yan

### COMPANY SECRETARY

Ms. Ho Wing Yan

### REGISTERED OFFICE

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

### HEADQUARTER OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 5 Ya Bo Nan Road  
National Health Technology Park of Zhongshan  
Torch Development Zone  
Zhongshan City  
Guangdong Province  
People's Republic of China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### **AUDITOR**

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

### **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **PRINCIPAL BANKERS**

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

### **STOCK CODE**

6898

### **WEBSITE FOR THE COMPANY**

[www.6898hk.com](http://www.6898hk.com)

## Business Review

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

Our revenue is primarily derived from the sale of aluminum aerosol cans. Due to the impact of depreciation of Renminbi (“RMB”) against Hong Kong dollars (“HK\$”) and slowdown of economic in the People’s Republic of China (“PRC”), the Group’s revenue for the six months ended 30 June 2019 recorded a significant decrease of approximately 23.5% as compared to the same period in 2018. For the six months ended 30 June 2019, revenue derived from the sale of aluminum aerosol cans was approximately HK\$125.8 million (six months ended 30 June 2018: approximately HK\$164.5 million).

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

### OPERATING ENVIRONMENT AND PROSPECTS

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

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

## FINANCIAL REVIEW

### Turnover

For the six months ended 30 June 2019, the Group's aluminum aerosol cans segment recorded a turnover of approximately HK\$125.8 million (six months ended 30 June 2018: approximately HK\$164.5 million), representing a significant decrease of approximately 23.5% as compared to the corresponding period of 2018. The number of aluminum aerosol cans sold by the Group for the six months ended 30 June 2019 was approximately 75.2 million (six months ended 30 June 2018: approximately 84.8 million). Since the world economy is shrouded in the shadow of the Sino-US trade war, there are huge uncertainties and changes in global and the PRC economic development. As a result, the turnover for both the PRC and overseas market are decreasing.

### PRC and overseas customers

The Group focused on PRC market, which the revenue from the PRC market amounted to 91.8% for the six months ended 30 June 2019 (six months ended 30 June 2018: 92.3%). For the six months ended 30 June 2019, the PRC customers and overseas customers contributed approximately HK\$115.5 million (six months ended 30 June 2018: approximately HK\$151.8 million) and HK\$10.3 million (six months ended 30 June 2018: approximately HK\$12.7 million) to the total revenue of the Group. There was a significant decrease of approximately 23.9% in sales from PRC customers was mainly due to decline in fast-moving personal care products market which was affected by slowdown of economic in PRC. There was a significant decrease of approximately 18.9% in sales from the overseas customers was mainly due to competition from small-sized overseas aerosol can manufacturers.

### Cost of Sales

For the six months ended 30 June 2019, cost of sales of the Group amounted to approximately HK\$77.5 million (six months ended 30 June 2018: approximately HK\$96.3 million), which represented approximately 61.6% (six months ended 30 June 2018: approximately 58.5%) of the turnover. There was an increase of approximately 3.1% in percentage of cost of sales which was mainly attributable to the net effects of (i) the increase in unit raw materials costs in certain products; and (ii) the increase in unit production overhead costs because of decreasing in production scales, which shared a higher fixed overhead costs per unit.

### Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK\$48.3 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$68.2 million), representing a significant decrease of approximately 29.2% as compared to the corresponding period of 2018. The decrease in gross profit was mainly driven by declining in revenue and a lower level of production scales, which increased the unit average costs. As a result, the gross profit margin decreased from approximately 41.5% for the six months ended 30 June 2018 to approximately 38.4% for the corresponding period of 2019.

## Management Discussion and Analysis

### Other Income and Gains

Other income and gains mainly comprise sale of scrap materials, income from the R&D design, government grants, bank interest income and exchange gains. For the six months ended 30 June 2019, other income and gains of the Group was approximately HK\$6.1 million (six months ended 30 June 2018: approximately HK\$0.5 million), representing a significant increase of approximately 1,120.0% which was due to the net effects of (i) the significant increase in sale of scrap material income; (ii) the increase in bank interest income; (iii) the increase in income of R&D design; and (iv) the increase in government grants.

### Selling and Distribution Expenses

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel and entertainment expenses, and advertisement and promotion costs. For the six months ended 30 June 2019, selling and distribution expenses were approximately HK\$5.2 million (six months ended 30 June 2018: approximately HK\$7.4 million), representing a decrease of approximately 29.7% as compared to the corresponding period of 2018. The decrease was primarily due to a significant decrease in transportation expenses of approximately HK\$1.9 million, which was in line with the decrease in sales, advertising and exhibition.

### Administrative Expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, depreciation and other miscellaneous administrative expenses. For the six months ended 30 June 2019, administrative expenses were approximately HK\$12.3 million (six months ended 30 June 2018: approximately HK\$17.2 million), representing a decrease of approximately 28.5% as compared to the corresponding period of 2018. The decrease in administrative expenses was primarily due to the net effects of (i) the decrease in bank charge; (ii) the significant decrease in professional fee and consulting fee of approximately HK\$3.5 million; (iii) the decrease in tax surcharges; and (iv) the increase in general staff costs.

### Finance Costs

For the six months ended 30 June 2019, the finance costs of the Group were approximately HK\$97,000 (six months ended 30 June 2018: approximately HK\$2,000), representing an increase of approximately 4,750.0% as compared to the corresponding period of 2018. The increase in finance cost was mainly due to increase in weighted average bank loans outstanding.

### Net Profit

The Group's net profit from continuing operations amounted to approximately HK\$21.5 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$26.9 million), representing a decrease of approximately 20.1% as compared to the corresponding period in 2018. Net profit margin for the six months ended 30 June 2019 was approximately 17.1% (six months ended 30 June 2018: approximately 16.4%).

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

## TREASURY POLICY

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

## LIQUIDITY AND CAPITAL RESOURCES

### Net Current Assets

As at 30 June 2019, the Group had net current assets of approximately HK\$106.7 million (31 December 2018: approximately HK\$275.3 million). The Group's cash and cash equivalents amounted to HK\$64.4 million as at 30 June 2019 (31 December 2018: HK\$233.1 million) which are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The current ratio of the Group was approximately 4.4 as at 30 June 2019 (31 December 2018: approximately 3.1).

### Borrowings and the Pledge of Assets

As at 30 June 2019, the Group did not owe any bank borrowings (31 December 2018: approximately HK\$ 83.4 million), which were secured by our properties, plant and equipment and land use rights. All borrowings are charged with reference to bank's preferential floating rates of PRC and Hong Kong Interbank Offered Rate ("HIBOR"). All borrowings are denominated in Renminbi and Hong Kong dollars.

As at 30 June 2019, we had available unutilized banking facilities of approximately HK\$98.9 million (31 December 2018: approximately HK\$182.4 million).

### Gearing Ratio

As a result of the decrease in cash and cash equivalents and the decrease in total borrowings of the Group, the gearing ratio which is calculated by dividing net debt by total equity, amounted to approximately -16.4% as at 30 June 2019 (31 December 2018: approximately -13.9%).

## CAPITAL STRUCTURE

As at 30 June 2019, the total number of issued shares of the Company (the "Shares") was 938,179,000 (31 December 2018: 934,179,000).

## FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 7.6% of the Group's revenue for the six months ended 30 June 2019 were denominated in United States dollars ("US\$"). However, over 90.0% of the production costs were settled in RMB. Therefore, there is a currency mismatch between US\$ revenue and RMB production costs, which gives rise to exposure to foreign exchange risk. Furthermore, there is a time lag between invoicing and final settlement from customers of export sales. The Group is exposed to foreign exchange risks if the foreign exchange rate at which the US\$ sales proceeds received from export sales is different from the rate at which the Group used to book the US\$ sales transactions at the time of sales.

During the six months ended 30 June 2019, we did not enter into any foreign currency forward contracts nor have any outstanding foreign currency forward contracts.



## Management Discussion and Analysis

### FORWARD PURCHASE OF ALUMINUM INGOTS

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

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

During the period ended 30 June 2019, we had conducted forward purchases with the amount of approximately RMB15.0 million consisting of approximately 1,200 tonnes of aluminum ingots. As at 30 June 2019, we did not have any outstanding forward purchases.

### EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2019, the Group had a workforce of 294 employees (31 December 2018: 302 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$15.9 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$16.5 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of an individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to retain eligible employees of the Group. The emoluments of the directors of the Company (the "Directors") have been determined with reference to the skills, knowledge, and contribution in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the six months ended 30 June 2019.

### SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group did not have any significant investments (31 December 2018: nil).

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

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

Save as disclosed above, during the six months ended 30 June 2019, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

## USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 28 June 2013 (the "Prospectus") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the public offer and placing of the Shares (the "Share Offer") were approximately HK\$80 million. During the six months ended 30 June 2019, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds (HK\$ million)	Actual amount utilized up to 31 December 2018 (HK\$ million)	Actual amount utilized subsequent to 31 December 2018 and up to 30 June 2019 (HK\$ million)	Remaining unutilized balance as at 30 June 2019 (HK\$ million)	Expected timeline for unutilised net proceeds
Partially fund the expansion of our production capacity, including the upgrade of our existing production lines and the acquisition of a brand new production line for aluminum aerosol cans	48.0	48.0	—	—	
Establish a new research and development laboratory	12.0	3.3	—	8.7	31 December 2020
Partially repay US\$ denominated bank loan	16.0	16.0	—	—	
General working capital purposes	4.0	4.0	—	—	
	80.0	71.3	—	8.7	

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## CONTRACTUAL OBLIGATIONS

As at 30 June 2019, the Group's capital commitments amounted to approximately HK\$6.9 million (31 December 2018: HK\$20.6 million).

## CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, 4,000,000 new ordinary Shares were issued upon conversion of convertible notes.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2019.

## Management Discussion and Analysis

### EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2019 and up to the date of this report.

### ISSUE OF THE CONVERTIBLE NOTES

On 20 May 2015, the Group acquired 100% interest in the Topspan Holdings Limited and its subsidiaries from Mr. Lin Wan Tsang. The acquisition was made as part of the Group's strategy to allow the Group to capture downstream profit margins by gaining access to the downstream distribution channels. The purchase consideration aggregated to HK\$900,000,000, of which HK\$780,000,000 were settled by the issue of convertible notes by the Company. On 8 July 2015, the Company issued the HK\$780,000,000 convertible notes (the "Convertible Notes").

Assuming that there is no change in share capital of the Company since 30 June 2019 and the conversion rights attached to the Convertible Notes are exercised in full, the number of issued shares of the Company will be increased by 251,690,222 (the "Conversion Shares"), representing approximately 26.83% of the issued share capital of the Company as at 30 June 2019 (i.e. 938,179,000 Shares) and approximately 21.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (i.e. 1,189,869,222 Shares).

### Dilution effect of the conversion of Convertible Notes

Set out below is the dilution effect on equity interest of the substantial shareholders of the Company upon the fully conversion of the outstanding Convertible Notes by Mr. Lin Wan Tsang, the chairman of the Board and the controlling shareholder of the Company.

Substantial Shareholders	As at 30 June 2019		Upon full conversion of Convertible Notes as at 30 June 2019	
	Number of Shares	Approximately % of issued Shares	Number of Shares	Approximately % of issued Shares
Mr. Lin Wan Tsang	431,154,000	45.96	682,844,222	57.39
Wellmass International Limited	268,000,000	28.57	268,000,000	22.52

The outstanding Convertible Notes would not be converted fully as it would result in the number of Shares which are in the hands of the public falling below 25% of the Company's issued share capital.

### Dilution impact on earnings per share

As calculated based on profit attributable to owners of the Company of approximately HK\$36.2 million for the six months ended 30 June 2019, basic and diluted earnings per share of the Company amounted to HK3.9 cents and HK3.0 cents, respectively.

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

Based on the implied internal rate of returns of the Convertible Notes, the Company's share prices at the future dates at which it would be equally financially advantageous for the securities holders to convert were as follows:

Date	31 December 2019 (HK\$ per share)	31 December 2020 (HK\$ per share)
Share prices	1.08	1.08

# Report on Review of Interim Condensed Consolidated Financial Statements



**Building a better  
working world**

**Independent review report**

**To the board of directors of China Aluminum Cans Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

## **INTRODUCTION**

We have reviewed the interim financial information set out on pages 12 to 33, which comprises the condensed consolidated statement of financial position of China Aluminum Cans Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

28 August 2019

## Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>CONTINUING OPERATIONS</b>			
REVENUE	3	125,799	164,485
Cost of sales		(77,458)	(96,299)
Gross profit		48,341	68,186
Other income and gains		6,051	452
Selling and distribution expenses		(5,193)	(7,444)
Administrative expenses		(12,344)	(17,208)
Research and development expenses		(6,587)	(6,297)
Impairment losses on financial and contract assets		(462)	(553)
Other expenses		(1,660)	(2,415)
Finance costs		(97)	(2)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	4	28,049	34,719
Income tax expense	5	(6,544)	(7,774)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		21,505	26,945
<b>DISCONTINUED OPERATION</b>			
Profit for the period from a discontinued operation	6	15,569	24,993
PROFIT FOR THE PERIOD		37,074	51,938
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(818)	(11,752)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(818)	(11,752)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		36,256	40,186
Profit attributable to:			
Owners of the parent		36,175	49,405
Non-controlling interests		899	2,533
		37,074	51,938

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Total comprehensive income attributable to:			
Owners of the parent		35,367	37,939
Non-controlling interests		889	2,247
		<b>36,256</b>	40,186
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	8		
– For profit for the period		<b>HK3.9 cents</b>	HK5.3 cents
– For profit from continuing operations		<b>HK2.3 cents</b>	HK2.8 cents
Diluted			
– For profit for the period		<b>HK3.0 cents</b>	HK4.2 cents
– For profit from continuing operations		<b>HK1.7 cents</b>	HK2.3 cents

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	205,254	316,965
Prepaid land lease payments		12,691	69,603
Deferred tax assets		755	2,478
Non-current prepayments		24,155	16,617
<b>Total non-current assets</b>		<b>242,855</b>	<b>405,663</b>
<b>CURRENT ASSETS</b>			
Inventories		34,824	88,773
Trade and bills receivables	10	34,339	69,737
Prepayments, deposits and other receivables		4,156	17,514
Pledged bank deposits		—	4,930
Cash and cash equivalents		64,356	228,149
<b>Total current assets</b>		<b>137,675</b>	<b>409,103</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	5,932	57,338
Other payables and accruals		22,384	64,423
Interest-bearing bank borrowings		—	8,392
Tax payable		2,232	2,712
Deferred income		477	986
<b>Total current liabilities</b>		<b>31,025</b>	<b>133,851</b>
<b>NET CURRENT ASSETS</b>		<b>106,650</b>	<b>275,252</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>349,505</b>	<b>680,915</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		—	75,000
Deferred tax liabilities		2,280	4,379
Deferred income		1,922	4,071
<b>Total non-current liabilities</b>		<b>4,202</b>	<b>83,450</b>
<b>Net assets</b>		<b>345,303</b>	<b>597,465</b>

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the Parent			
Share capital	12	9,382	9,342
Equity component of convertible notes		271,826	276,146
Reserves		59,058	299,163
		<b>340,266</b>	584,651
Non-controlling interests		5,037	12,814
		<b>345,303</b>	597,465
Total equity			

.....  
Director

.....  
Director



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent											
	Equity component											Total equity HK\$'000
	Share capital HK\$'000 (note 12)	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity of convertible notes HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 31 December 2018 (audited)	9,342	677,488	111,196	(962,722)	1,986	276,146	86,629	(22,754)	407,340	584,651	12,814	597,465
Profit for the period	–	–	–	–	–	–	–	–	36,175	36,175	899	37,074
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(808)	–	(808)	(10)	(818)
Total comprehensive income for the period	–	–	–	–	–	–	–	(808)	36,175	35,367	889	36,256
Distribution of Precious Dragon Group (note 7)	–	(16,221)	–	62,722	–	–	(46,950)	13,742	(272,593)	(259,300)	(8,159)	(267,459)
Transfer from retained profits	–	–	–	–	–	–	2,695	–	(2,695)	–	–	–
Exercise the conversion rights attached to the Convertible Notes	40	4,280	–	–	–	(4,320)	–	–	–	–	–	–
Dividends paid	–	(20,452)	–	–	–	–	–	–	–	(20,452)	(507)	(20,959)
At 30 June 2019 (unaudited)	9,382	645,095	111,196	(900,000)	1,986	271,826	42,374	(9,820)	168,227	340,266	5,037	345,303

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent											Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of convertible notes HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2018 (audited)	9,342	687,484	111,196	(872,722)	2,107	276,146	76,068	10,994	338,428	639,043	8,033	647,076
Profit for the period	–	–	–	–	–	–	–	–	49,405	49,405	2,533	51,938
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(11,466)	–	(11,466)	(286)	(11,752)
Total comprehensive income for the period	–	–	–	–	–	–	–	(11,466)	49,405	37,939	2,247	40,186
Consideration paid for business combination under common control	–	–	–	(90,000)	–	–	–	–	–	(90,000)	–	(90,000)
Transfer from retained profits	–	–	–	–	–	–	5,840	–	(5,840)	–	–	–
Equity-settled share option arrangements	–	–	–	–	(121)	–	–	–	–	(121)	–	(121)
Dividends paid	–	(9,996)	–	–	–	–	–	–	–	(9,996)	(184)	(10,180)
At 30 June 2018 (unaudited)	9,342	677,488	111,196	(962,722)	1,986	276,146	81,908	(472)	381,993	576,865	10,096	586,961

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax:			
From continuing operations		28,049	34,719
From a discontinued operation	6	23,490	29,640
Adjustments for:			
Finance cost		1,783	745
Interest income		(628)	(204)
(Gain)/loss on disposal of properties, plant and equipment		9	(115)
Share option expense		—	(121)
Depreciation of items of property, plant and equipment		19,119	19,639
Amortisation of prepaid land lease payments		956	1,031
Impairment/(reversal) of inventories, net		827	1,170
Impairment of trade receivables		2,121	1,350
		75,726	87,854
Decrease/(increase) in inventories		(17,339)	261
Decrease/(increase) in trade and bills receivables		14,163	(28,355)
Decrease/(increase) in prepayments, deposits and other receivables		146	(1,155)
Decrease/(increase) in an amount due from related parties		(1,046)	21,113
Increase/(decrease) in trade and bills payables		(9,279)	10,422
Decrease in deposits received, other payables and accruals		(2,597)	(256)
Increase/(decrease) in an amount due to related parties		2,193	(1,497)
Increase/(decrease) in deferred income		(498)	2,155
		61,469	90,542
Cash received from operations		61,469	90,542
Withholding tax paid		(4,648)	(1,341)
PRC corporate income tax paid		(6,529)	(5,644)
		50,292	83,557
Net cash flows from operating activities		50,292	83,557

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(20,258)	(20,706)
Proceeds from disposal of items of property, plant and equipment		140	332
(Increase)/decrease in pledged bank deposits		600	(28,495)
Interest received from bank		628	204
Acquisition of a subsidiary		—	(90,000)
<b>Net cash flows used in investing activities</b>		<b>(18,890)</b>	<b>(138,665)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		15,000	90,000
Repayment of bank loans		(53,392)	(3,553)
Interest paid		(1,783)	(745)
Dividends paid to owners of the parent		(20,452)	(9,996)
Dividends paid to non-controlling shareholders		(507)	(184)
Distribution of Precious Dragon Group	6	(133,744)	—
<b>Net cash flows from/(used in) financing activities</b>		<b>(194,878)</b>	<b>75,522</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange difference		(317)	(510)
Cash and cash equivalents at beginning of period		228,149	164,933
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>64,356</b>	<b>184,837</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

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

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC – Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

- (a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases – Incentives* and SIC – Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

### *(a) (continued)*

#### New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard -alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

#### As a lessee – Leases previously classified as operating leases

##### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying assets). The Group has elected not to recognise right-of use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases with short-terms. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

*Impacts on transition*

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

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

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

- Applied the short-term lease exemptions

No impacts arose from the adoption of IFRS 16 at 1 January 2019 as the Group has only short-term leases.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the Year ended 31 December 2018 is replaced with following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

*Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realizable value in accordance with the Group's policy for incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease terms, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

### (a) *(continued)*

#### Summary of new accounting policies *(continued)*

##### Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of lease, if the lease term reflects the Group exercising the option to termination. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying assets.

##### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

##### Amounts recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income

The Group recognised rental expenses from short-term leases of HK\$455,000 during the period.

- (b) IFRIC-Int 23 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 position"). 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.



## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 3. REVENUE FROM CONTINUING OPERATIONS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	125,799	164,485

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Type of goods</b>		
Sale of industrial products	125,799	164,485
<b>Geographical markets</b>		
Mainland China	115,543	151,793
Africa	1,572	3,070
America	3,817	3,463
Asia	4,361	5,755
Middle East	200	90
Japan	306	314
Total revenue from contracts with customers	125,799	164,485
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	125,799	164,485

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 4. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cost of inventories sold	77,458	96,299
Depreciation	10,381	12,411
Amortisation of prepaid land lease payments	229	244
Research and development costs	6,587	6,297
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	15,945	16,481
Pension scheme contributions	1,544	1,030
	17,489	17,511
Exchange (gains)/losses, net	685	(6)
Impairment of trade receivables	462	553
Write down of/(reversal of provision for write-down of) inventories to net realisable value	(7)	305

## 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current – Mainland China	4,871	6,386
Current – Hong Kong	1,829	1,323
Deferred	(156)	65
Total tax charge for the period from continuing operations	6,544	7,774
Total tax charge for the period from a discontinued operation	7,921	4,647
	14,465	12,421

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 6. DISCONTINUED OPERATION

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

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

On 14 June 2019, the Company's Board of Directors declared a conditional distribution in specie of all the issued share capital of the Precious Dragon Group to the Company's qualifying shareholders (note 7). On 21 June 2019, the shares of the Precious Dragon Group were listed on the Stock Exchange and ceased to be a subsidiary of the Company thereafter.

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

	For the period from 1 January 2019 to 21 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 June 2018 HK\$'000 (Unaudited)
REVENUE	256,991	280,043
Cost of sales	(180,082)	(204,984)
Gross profit	76,909	75,059
Other income and gains	5,518	9,374
Selling and distribution expenses	(23,670)	(23,471)
Administrative expenses	(21,610)	(16,961)
Research and development expenses	(8,722)	(10,391)
Other expenses	(3,249)	(3,227)
Finance costs	(1,686)	(743)
Profit before tax from the discontinued operation	23,490	29,640
Income tax expense	(7,921)	(4,647)
Profit for the period from the discontinued operation	15,569	24,993
Profit attributable to:		
Owners of the parent	15,043	22,964
Non-controlling interests	526	2,029
	15,569	24,993

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 6. DISCONTINUED OPERATION *(continued)*

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

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

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

	For the period from 1 January 2019 to 21 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 June 2018 HK\$'000 (Unaudited)
Operating activities	2,018	63,794
Investing activities	(4,119)	(132,102)
Financing activities	(7,578)	85,705
Net cash inflow	(9,679)	17,397
Earnings per share:		
Basic, from the discontinued operation	HK1.6 cents	HK2.5 cents
Diluted, from the discontinued operation	HK1.3 cents	HK1.9 cents

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 6. DISCONTINUED OPERATION *(continued)*

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

	For the period from 1 January 2019 to 21 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 June 2018 HK\$'000 (Unaudited)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	15,043	22,964
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	937,512,333	934,179,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation	1,189,276,170	1,190,150,445

### 7. DIVIDENDS

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Distribution of Precious Dragon Group <sup>1</sup>	259,300	—
Final declared and paid - HK2.18 cents (2018: HK1.07 cents) per ordinary share	20,452	9,996
Proposed interim – HK0.42 cents (2018: nil) per ordinary share	3,940	—
	<b>283,692</b>	9,996

<sup>1</sup> As mentioned in note 6, the entire issued share capital of the Precious Dragon Group was spun-off via a distribution in specie completed on 21 June 2019. The net assets attributable to the Precious Dragon Group, subject to the distribution to the Company's shareholders, amounted to approximately HK\$ 259,300,000.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

The calculation of basic earnings per share for the period is based on the consolidated profit for the period attributable to the ordinary equity holders of the parent, and on the weighted average number of ordinary shares in issue during the period.

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

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	36,175	49,405

	Number of shares	
<b>Shares</b>		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	937,512,333	934,179,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	73,615	281,223
Convertible Notes	251,690,222	255,690,222
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	1,189,276,170	1,190,150,445

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of HK\$ 8,492,000 (30 June 2018: HK\$ 17,940,000).

Assets with a net book value of HK\$109,431,000 were disposed by the Group during the six months ended 30 June 2019 (30 June 2018: HK\$ 217,000), resulting a net gain on disposal of HK\$ 34,000 (30 June 2018: HK\$ 115,000).

During the six months ended 30 June 2019, no impairment loss was recognised (30 June 2018: nil) by the Group.

### 10. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the end of the reporting periods, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	29,238	33,811
31 to 60 days	285	17,434
61 to 90 days	340	3,907
Over 90 days	4,476	14,585
	<b>34,339</b>	<b>69,737</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 11. TRADE AND BILLS PAYABLES

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	4,701	35,791
31 to 60 days	515	10,770
61 to 90 days	617	9,844
Over 90 days	99	933
	<b>5,932</b>	<b>57,338</b>

## 12. SHARE CAPITAL

In January 2019, the Company received a formal notice from a vendor for the exercise of the conversion rights attached to the Convertible Notes in the amount of HK\$4,320,000 at the conversion price of HK\$1.08 per conversion share. The portion of the Convertible Notes of which the conversion rights are being exercised represents approximately 0.55% of the Convertible Notes with a principal amount of HK\$780,000,000 held by the vendor. In accordance with the conversion requirement, 4,000,000 conversion shares were resolved to be allotted and issued by the Company to the vendor in 2019.

## 13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	6,902	20,616



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 14. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Sales of products to:</b>			
European Asia Industrial Ltd. ("European Asia Industrial")	(i)	—	6,749
Guangzhou Botny Chemical Co., Ltd. ("Botny Chemical") (廣州保賜利化工有限公司)	(i)	230	—
Guangzhou Euro Asia Aerosol and Household Products Manufacture Co., Ltd. ("Euro Asia Aerosol") (廣州歐亞氣霧劑與日化用品製造有限公司)	(i)	245	—
<b>Total</b>		<b>475</b>	<b>6,749</b>
<b>Purchases of products from:</b>			
European Asia Industrial Ltd.	(i)	—	1,444
<b>Lease rental expenses charged by:</b>			
Mr. Lin Wan Tsang *	(ii)	48	48

\* The director of the Company

- (i) European Asia Industrial, Guangzhou Botny Chemical and Euro Asia Aerosol are related companies controlled by the ultimate shareholder of the Company. The sales and purchases between the companies were made on prices and conditions as mutually agreed.
- (ii) The lease rental expenses charged by Mr. Lin Wan Tsang were determined based on the underlying contracts as agreed between the Group and Mr. Lin Wan Tsang.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 14. RELATED PARTY TRANSACTIONS *(continued)*

### (b) Outstanding balances with related parties:

The Group had an outstanding balance due to its related companies controlled by the ultimate shareholder of the Company amounting to HK\$3,000 (31 December 2018:HK\$2,000) as at the end of the reporting period. The Group had an outstanding balance due from its related companies controlled by the ultimate shareholder of the Company amounting to HK\$2,482,000 (31 December 2018:HK\$1,436,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

### (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Fees	2,614	1,671
Salaries, allowances and benefits in kind	1,849	2,219
Pension scheme contributions	106	77
<b>Total compensation paid to key management personnel</b>	<b>4,569</b>	<b>3,967</b>

## Other Information

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

As at 30 June 2019, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

#### (i) Long positions in the Shares and underlying Shares of the shares options granted under the Pre-IPO Share Option Scheme of the Company

Names of Directors	Number of Ordinary Shares			Interests in underlying Shares	Total	Approximate percentage of the issued Shares (Note 2)
	Beneficial owner	Interest of spouse	Interests in a controlled corporation	Share options (Note 1)		
Mr. Lin Wan Tsang ("Mr. Lin")	431,154,000	–	268,000,000 (Note 4)	–	699,154,000	74.52%
Ms. Ko Sau Mee ("Mrs. Lin")	–	431,154,000 (Note 3)	268,000,000 (Note 4)	–	699,154,000	74.52%
Mr. Kwok Tak Wang	1,200,000	–	–	800,000	2,000,000	0.21%

Notes:

- (1) These share options represent the awarded underlying Shares granted to the Directors under a pre-IPO share option scheme of the Company (the "Pre-IPO Share Option Scheme") which was adopted on 20 June 2013. Details of the Pre-IPO Share Option Scheme have been disclosed in the section headed "Pre-IPO Share Option Scheme".
- (2) These percentages have been compiled based on the total number of issued Shares as at 30 June 2019 (i.e. 938,179,000 Shares).
- (3) These Shares are held by Mr. Lin, as Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin by virtue of the SFO.
- (4) These Shares are held by Wellmass International Limited ("Wellmass"), which is wholly and beneficially owned by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin (through Wellmass) by virtue of the SFO.

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

Name of the holder of the convertible notes	Principal amount of the convertible notes	Number of the total underlying Shares	Approximate percentage of the issued Shares (Note 1)
Mr. Lin (Note 2)	271,825,440	251,690,222	26.83%

Notes:

1. These percentages have been compiled based on the total number of issued Shares as at 30 June 2019 (i.e. 938,179,000 Shares).
2. These convertible notes were issued by the Company on 8 July 2015 as part of the consideration to the acquisition of Topspan Holdings Limited and its subsidiaries on 20 May 2015. They are unlisted, interest-free and convertible into the Shares at the conversion price of HK\$1.08 per Share. The interest is held by Mr. Lin, as Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin by virtue of the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at 30 June 2019, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

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

As at 30 June 2019, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

**(i) Long Positions in the Shares**

Name of shareholder	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares (Note 1)
Wellmass (Note 2)	Beneficial owner	268,000,000	28.57%

Notes:

- (1) These percentages have been compiled based on the total number of issued Shares as at 30 June 2019 (i.e. 938,179,000 Shares).
- (2) Wellmass is a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Lin. Mrs. Lin is the spouse of Mr. Lin and is therefore deemed to be interested in all the Shares held by Mr. Lin (through Wellmass) by virtue of the SFO.

## Other Information

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(continued)*

#### **(i) Long Positions in the Shares** *(continued)*

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

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

### **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

During the six months ended 30 June 2019 and up to the date of this report, none of the Directors or any of their respective close associates has engaged in any business that had competed or may compete with the business of the Group and any other conflict of interests which any such person had or might have with the Group.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Pre-IPO Share Option Scheme" below, at no time during the six months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective close associates nor was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors, or their respective close associates to acquire such rights in any other body corporate.

### **PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME**

The Company conditionally adopted the Pre-IPO Share Option Scheme on 20 June 2013, which became effective on 12 July 2013 (the "Listing Date") and options in respect of 17,490,000 Shares under the Pre-IPO Share Option Scheme had been granted on 21 June 2013. The Company also conditionally adopted a share option scheme on 20 June 2013 (the "Share Option Scheme"), which became effective on the Listing Date and no option had been granted by the Company up to the date of this report.

### PRE-IPO SHARE OPTION SCHEME

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

Initially, options to subscribe for an aggregate of 17,490,000 Shares had been granted to the Grantees. The total number of securities available for issue under the Pre-IPO Share Option Scheme is 800,000 Shares, representing approximately 0.09% of the total issued Shares as at 30 June 2019. No further options will be granted by the Company pursuant to the Pre-IPO Share Option Scheme. The exercise price per Share is HK\$0.70, which is equivalent to 70% of the offering price per Share. All options granted under the Pre-IPO Share Option scheme on or before 20 June 2013 may be exercised in the following manner:

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

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

## Other Information

**PRE-IPO SHARE OPTION SCHEME** *(Continued)*

Set out below is further information on the outstanding share options granted under the Pre-IPO Share Option Scheme as at 30 June 2019:

Names of the Grantees	Number of share options						Outstanding as at 30 June 2019	Exercise price per Share HK\$	Weighted average closing price of the Share before the date(s) of which shares options were exercised HK\$
	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
<b>Director</b>									
Kwok Tak Wang	800,000	-	-	-	-	800,000	0.7	-	
<b>Total</b>	800,000	-	-	-	-	800,000			

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

## SHARE OPTION SCHEME

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

The Share Option Scheme is a share incentive scheme and is established to recognize and motivate the contributions that eligible participants (as defined in the Prospectus) have made or may make to the Group.

Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 40,000,000 Shares) unless approved by the shareholders of the Company.

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme up to the date of this report.

## UPDATE ON DIRECTORS' INFORMATION

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

- The Director's fee for an executive Director, Mr. Lin Wan Tsang, has been increased to HK\$1,368,502 per annum with effect from 1 January 2019.
- The Director's fee for an executive Director, Mr. Dong Jiangxiong, has been increased to HK\$403,200 per annum with effect from 1 January 2019.
- The Director's fee for the non-executive Director, Mr. Kwok Tak Wang, has been increased to HK\$415,800 per annum with effect from 1 January 2019.
- The Directors' fees for the independent non-executive Directors, including Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, have been increased to HK\$190,560 per annum with effect from 1 January 2019.



## Other Information

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 20 June 2013 with terms of reference (amended on 31 December 2015) in compliance with the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Listing Rules for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials, providing advice in respect of the financial reporting process and overseeing the risk management and internal control systems of the Group. The Audit Committee now comprises four members, all being independent non-executive Directors, namely, Mr. Yip Wai Man Raymond (Chairman), Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Chung Yi To. The Group's accounting principles and practices, financial statements and related materials for the period had been reviewed by the Audit Committee.

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements matters of the Group for the six months ended 30 June 2019 and recommended its adoption by the Board.

### REMUNERATION COMMITTEE

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

### **NOMINATION COMMITTEE**

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

### **RISK MANAGEMENT COMMITTEE**

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

The Risk Management Committee has reviewed the hedging policies regarding its activities in forward purchases of aluminum ingots and entering into foreign currency forward contracts statements of the Group for the six months ended 30 June 2019 and is of the opinion that the Group has complied with the hedging policy.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2019, except the CG Code provision A.2.1.

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

## Other Information

### SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules for the six months ended 30 June 2019 and to the date of this report.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. All Directors have confirmed that, following specific enquiries made by the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 June 2019.

### DIVIDENDS

The Board has resolved to declare an interim dividend of HK0.42 cent per Share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$ nil) to be payable on or around 29 November 2019 to the shareholders of the Company whose names appear on the register of members of the Company on 20 September 2019.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 September 2019 to 20 September 2019, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at the above address for registration not later than 4:30 p.m. on 17 September 2019.

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

Hong Kong  
28 August 2019