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覧會組委員會) 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% 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 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.

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.

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.

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.

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.

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.

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	(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	70,509	40,978	46,928
Profit attributable to :			
- owners of the parent	69,368	39,210	41,686
- non-controlling interests	1,141	1,768	5,242
	70,509	40,978	46,928

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 *(Note)*	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.

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.

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	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 *(Note)*	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.

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.

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.

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.

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%

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**	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	HK$'000	*%*	*HK$'000*	*%*	*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 *(Note)*	1,332	22.0%	2,294	24.4%	608	12.9%
Total	179,641	34.1%	147,477	28.4%	157,560	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**	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
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	50,120	28.0%	35,134	23.2%	28,952	17.7%
	58,870	26.4%	49,530	23.5%	65,254	22.5%
Others	25	10.8%	51	16.0%	3	2.6%
Total	179,641	34.1%	147,477	28.4%	157,560	25.8%

	Year ended 31 December					
	2016		2017		2018	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
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	179,641	34.1%	147,477	28.4%	157,560	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.

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.

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**
	HK$'000	*HK$'000*	*HK$'000*
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
	17,060	7,659	15,603

Note: "Others" includes income arising from the transfer of trademarks and rental income.

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.

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		2017		2018	
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of 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.

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.

Our research and development expenses were relatively stable for the two years ended 31 December 2017.

Our research and development expenses increased by approximately by 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	1,722	0.3%	7,218	1.4%	3,154	0.5%

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.

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.

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.

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 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.

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

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.

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

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.

The following table sets forth the aging analysis for our inventories as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	HK$000	*HK$000*	*HK$000*
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	6,836	3,925	3,948
	42,129	54,447	56,962
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".

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	(3,376)	(4,631)	(5,148)
Trade receivables, net	33,007	41,248	38,021
Bills receivables	1,084	1,239	1,221
	34,091	42,487	39,242

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	9,139	11,341	12,970
Total	33,007	41,248	38,021

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.

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.

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**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	15,990	20,884	17,851
31 to 60 days	8,482	7,020	13,727
61 to 90 days	2,912	3,484	1,300
Sub-total	27,384	31,388	32,878
Over 90 days	5,623	9,860	5,143
Total	33,007	41,248	38,021

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

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.

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

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**
	HK$'000	*HK$'000*
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	5,623	9,860
Total	33,007	41,248

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**
	HK$'000	*HK$'000*	*HK$'000*
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	35,216	24,505	928
Total	42,937	37,780	10,099

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**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	41,374	40,215	43,941
Bills payables	28,518	27,085	24,649
Total	69,892	67,300	68,590

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
	69,892	67,300	68,590

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.

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	52,815	47,830	29,204

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.

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.

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**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	533	622	446
In the second to third years, inclusive	—	463	—
	533	1,125	446

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**
	HK$'000	*HK$'000*	*HK$'000*
Contracted, but not provided for:			
Plant and machinery	406	1,028	4,126
Future capital contributions	—	90,000	—
	406	91,028	4,126

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.

INDEBTEDNESS

The following table sets forth the components of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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.

The following table sets forth our bank borrowings due for repayment as at the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	—
	21,521	3,602	75,000	60,000

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 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Utilised:				
Interest bearing bank borrowings	21,521	3,602	75,000	60,000
Bills payable	28,518	27,085	25,673	18,274
	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	47,684	—	—	—
	111,058	122,472	83,477	78,632

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.

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.

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.

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.

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 BREAKEVEN 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)

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%.

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.

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.

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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	9,054	60,838	—	69,892
Financial liabilities included in other payables and accruals	—	20,095	—	20,095
Due to related parties and directors	21,812	—	—	21,812
Interest-bearing bank borrowings	—	17,741	5,247	22,988
	30,866	98,674	5,247	134,787

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

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

CAPITAL MANAGEMENT

The primary objectives of 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.

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 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:

	RMB' 000
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	68,334
Valuation of property interests of our Group as at 31 March 2019	174,000

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.