CPMC HOLDINGS LIMITED

中糧包裝控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 906)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2018 *RMB'000*	2017 *RMB'000*	Changes *(%)*
Revenue	**6,591,307**	5,978,238	10.3
EBITDA	**744,887**	729,652	2.1
Net profit attributable to equity holders of the Company	**255,061**	310,511	(17.9)
Basic earnings per share	**RMB0.22**	RMB0.26	(15.4)
Dividends (HK cents)			
– Interim	**6.8**	8.2	
– Final (proposed)	**5.6**	7.5	
	12.4	15.7	(21.0)

- The Board recommended the payment of a final dividend of RMB0.048 (equivalent to HK5.6 cents) per share for the year ended 31 December 2018 to the equity holders of the Company.

The board (the "Board") of directors (the "Directors") of CPMC Holdings Limited (the "Company") presents the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

	Notes	**2018** **RMB'000**	2017 RMB'000
REVENUE	*4*	**6,591,307**	5,978,238
Cost of sales	*5*	**(5,621,212)**	(5,017,347)
Gross profit		**970,095**	960,891
Other income and gains – net	*4*	**53,402**	49,633
Selling and marketing expenses		**(310,937)**	(286,891)
Administrative expenses		**(276,446)**	(269,548)
Finance costs	*6*	**(90,366)**	(43,839)
Share of loss of an associate		**–**	(16)
PROFIT BEFORE INCOME TAX	*5*	**345,748**	410,230
Income tax expense	*7*	**(80,476)**	(98,358)
PROFIT FOR THE YEAR		**265,272**	311,872
Attributable to:			
Equity holders of the Company		**255,061**	310,511
Non-controlling interests		**10,211**	1,361
		265,272	311,872
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*9*	**RMB0.22**	RMB0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**265,272**	311,872
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(203,762)**	155,027
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(203,762)**	155,027
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**61,510**	466,899
Attributable to:		
Equity holders of the Company	**51,299**	465,538
Non-controlling interests	**10,211**	1,361
	61,510	466,899

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,908,017**	4,696,016
Prepaid land lease payments		**300,806**	308,335
Deposits for purchase of items of property, plant and equipment		**88,820**	61,712
Prepayments		**17,699**	26,469
Goodwill		**233,973**	233,973
Other intangible assets		**28,954**	31,360
Investment in a joint venture	*10*	**1,209,099**	799,065
Investment in an associate		**24,984**	24,984
Deferred tax assets		**23,600**	21,731
Total non-current assets		**6,835,952**	6,203,645
CURRENT ASSETS			
Inventories		**1,154,721**	1,148,890
Trade and bills receivables	*11*	**1,692,347**	1,630,793
Prepayments, other receivables and other assets		**347,091**	483,596
Pledged deposits		**51,696**	72,411
Cash and cash equivalents		**893,877**	711,179
Total current assets		**4,139,732**	4,046,869
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**2,142,232**	961,297
Trade and bills payables	*12*	**1,195,705**	1,249,039
Other payables and accruals		**390,673**	403,342
Tax payable		**26,597**	26,353
Total current liabilities		**3,755,207**	2,640,031
NET CURRENT ASSETS		**384,525**	1,406,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,220,477**	7,610,483

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,950,954**	2,286,970
Deferred tax liabilities	**17,607**	17,778
Government grants	**3,328**	13,643
Total non-current liabilities	**1,971,889**	2,318,391
Net assets	**5,248,588**	5,292,092
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**2,730,433**	2,730,433
Reserves	**2,166,604**	2,245,107
	4,897,037	4,975,540
Non-controlling interests	**351,551**	316,552
Total equity	**5,248,588**	5,292,092

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**345,748**	410,230
Adjustments for:			
Finance costs	6	**90,366**	43,839
Share of loss of an associate		**–**	16
Interest income	4	**(12,274)**	(13,243)
Loss/(gain) on disposal of items of property, plant and equipment	4	**1,901**	(11,939)
Depreciation	5	**296,353**	263,570
Amortisation of prepaid land lease payments	5	**7,618**	7,660
Amortisation of other intangible assets	5	**4,802**	4,353
Impairment/(reversal of impairment) of trade receivables, prepayments and other assets	5	**507**	(105)
Reversal of provision against inventories	5	**–**	(2,402)
Amortisation of government grants		**(8,158)**	(10,854)
Foreign exchange differences, net	4	**(8,562)**	11,339
		718,301	702,464
Increase in inventories		**(290,282)**	(318,402)
(Increase)/decrease in trade and bills receivables		**(62,067)**	35,384
Decrease/(increase) in prepayments, other receivables and other assets		**108,835**	(58,142)
Decrease/(increase) in pledged deposits		**2,653**	(30,784)
(Decrease)/increase in trade and bills payables		**(53,334)**	351,880
Decrease in other payables and accruals		**(34,800)**	(21,827)
Cash generated from operations		**389,306**	660,573
Interest paid		**(90,366)**	(43,839)
Mainland China tax paid		**(82,272)**	(92,721)
Net cash flows from operating activities		**216,668**	524,013

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4	**12,274**	13,243
Increase in prepayments, other receivables and other assets		**(28,382)**	(51,284)
Purchases of items of property, plant and equipment		**(486,043)**	(747,275)
(Increase)/decrease in deposits for purchase of items of property, plant and equipment		**(27,108)**	77,308
Proceeds from disposal of items of property, plant and equipment		**2,567**	22,062
Addition to prepaid land lease payments		**–**	(2,840)
Additions to other intangible assets		**(2,396)**	(2,995)
Receipt of government grants for property, plant and equipment		**–**	11,930
Acquisition of subsidiaries		**(36,150)**	(72,449)
Investment in an associate		**–**	(25,000)
Investment in a joint venture		**(78,176)**	(799,065)
Entrusted loan to an associate		**–**	(54,000)
Repayment of an entrusted loan to an associate		**54,000**	–
Net cash flows used in investing activities		**(589,414)**	(1,630,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of a non-controlling interest		**(44)**	(10,739)
New bank loans		**1,652,186**	2,274,756
Repayment of bank loans		**(984,463)**	(1,279,764)
Dividends paid		**(142,122)**	(200,850)
Capital contribution from non-controlling interests		**47,891**	65,222
Net cash flows from financing activities		**573,448**	848,625
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**200,702**	(257,727)
Cash and cash equivalents at beginning of year		**711,179**	998,083
Effect of foreign exchange rate changes, net		**(18,004)**	(29,177)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**893,877**	711,179
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**92,537**	440,818
Deposits in COFCO Finance		**801,340**	270,361
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**893,877**	711,179

NOTES:

1. CORPORATE AND GROUP INFORMATION

CPMC Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. On 16 November 2009, the Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 33/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture of packaging products, including beverage cans, food cans, aerosol cans, metal caps, printed and coated tinplates, steel barrels, round and square shaped cans and plastic packaging in the People's Republic of China (the "PRC" or "Mainland China").

As at 31 December 2017 and 31 December 2018, (i) COFCO (Hong Kong) Limited ("COFCO (Hong Kong)") beneficially held approximately 28.15% of the issued shares of the Company, being the single largest shareholder of the Company; and (ii) 奧瑞金科技股份有限公司 (ORG Technology Co. Ltd.*) (formerly known as "ORG Packaging Co.,Ltd") ("ORG Technology") beneficially held approximately 22.93% of the issued shares of the Company, being the second largest shareholder of the Company. COFCO (Hong Kong) is a company incorporated in Hong Kong and ultimately held by COFCO Corporation ("COFCO"), a state-owned enterprise registered in the PRC. ORG Technology is a company established in the PRC and listed on the Shenzhen Stock Exchange.

* *For identification purposes only*

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited financial information relating to the year ended 31 December 2018 and the financial information relating to the year ended 31 December 2017 included in this preliminary announcement of 2018 annual results do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2017, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2018 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies of Hong Kong in due course.

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Going concern basis

These financial statements have been prepared on a going concern basis. In preparing these financial statements, the directors have given careful consideration to the current and anticipated future liquidity of the Group. Taking into account, inter alia, (i) the expected net cash inflows generated from the Group's operations for the next twelve months; (ii) the expected net cash outflows used in the Group's investment plan; (iii) the unutilised loan facilities at the end of the reporting period; (iv) the anticipated result of an arbitration as further detailed in note 10 to these financial statements; and (v) the modified audit opinion expressed by the Company's auditor in these financial statements; the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. Accordingly, the directors consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 prospectively, with the initial application date of 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the classification of financial assets and liabilities in the statement of financial position.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Carrying amount** *RMB'000*
Trade receivables	Loans and receivables	Financial assets at amortised cost	1,516,765
Bills receivable*	Loans and receivables	Financial assets at fair value through other comprehensive income	114,028
Financial assets included in prepayments, other receivables and other assets	Loans and receivables	Financial assets at amortised cost	124,401
Pledged deposits	Loans and receivables	Financial assets at amortised cost	72,411
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	711,179
Trade and bills payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	1,249,039
Financial liabilities included in other payables and accruals	Financial liabilities at amortised cost	Financial liabilities at amortised cost	219,294
Interest-bearing bank and and other borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,248,267

* The Group's bills receivable are managed with a business model under which bills receivable are held to collect contractual cash flows or endorsed to suppliers prior to their expiry date. Accordingly, these bills receivable are reclassified as financial assets at fair value through other comprehensive income upon adoption of HKFRS 9.

The carrying amounts of the Group's financial assets and liabilities under HKFRS 9 are equal to their respective original carrying amounts under HKAS 39 as at 1 January 2018.

Impairment

The Group has remeasured the impairment allowances of financial assets as at 1 January 2018 using the expected credit losses ("ECLs") under HKFRS 9, which approximate to the impairment allowances under HKAS 39. Accordingly, no transition adjustment to the financial assets and equity at 1 January 2018 was recognised.

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has selected to apply the standard to contracts that are not completed as at 1 January 2018.

There is no effect of the initial application HKFRS 15 to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative was not restated and continued to be reported under HKAS 11, HKAS 18 and related interpretations.

The adoption of HKFRS 15 has had no impact on the Group's financial position, the Group's profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows.

Set out below are the amounts by which each line item was affected as at 31 December 2018 as a result of the adoption of HKFRS 15.

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals				
Refund liabilities	(i)	5,955	–	5,955
Accrued expenses	(i)	–	5,955	(5,955)
Contract liabilities	(ii)	48,365	–	48,365
Advances from customers	(ii)	–	48,365	(48,365)

The nature of the adjustments as at 1 January 2018 and the reasons for the changes in the note of other payables and accruals as at 31 December 2018 are described below:

(i) ***Sale of industrial products with variable consideration***

Some contracts for the sale of industrial products provide customers with volume rebates. Before adopting HKFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of volume rebates. If revenue could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. Under HKFRS 15, volume rebates give rise to variable consideration which is determined using the expected value method or the most likely amount method.

Volume rebates

Before the adoption of HKFRS 15, the Group estimated the expected volume rebates using the probability-weighted average amount of rebates approach and included an allowance for rebates in other payables and accruals.

Upon the adoption of HKFRS 15, the Group has applied either the most likely amount method or the expected value method for the estimation of the variable consideration for expected volume rebates which are recorded as refund liabilities included in other payables and accruals in the statement of financial position.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in refund liabilities included in other payables and accruals of RMB5,955,000 and a decrease in accrued expenses included in other payables and accruals of RMB5,955,000.

(ii) ***Consideration received from customers in advance:***

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB56,241,000 from advances from customers included in other payables and accruals to contract liabilities included in other payables and accruals as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB48,365,000 was reclassified from advances from customers included in other payables and accruals to contract liabilities in other payables and accruals in relation to the consideration received from customers in advance for the sale of industrial products.

(d) Amendments to HKAS 40, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has no significant impact on the Group's financial statements as the Group does not have material transaction, which receives or pay advance consideration in foreign currency.

The Group has not applied the new and revised HKFRSs, that have been issued but are not yet effective, in the current accounting period.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one operating segment of packaging products, which can be analysed by three business units based on their products and services as follows:

(a) Tinplate packaging – the Group uses tinplate as the main raw material for its tinplate packaging products, which include three-piece beverage cans, food cans (including milk powder cans), aerosol cans, metal caps, printed and coated tinplates, steel barrels, round and square shaped cans and other metal packaging;

(b) Aluminium packaging – the Group uses aluminium as the main raw material for its aluminium packaging products, which mainly consist of two-piece cans and one-piece cans; and

(c) Plastic packaging – the Group's plastic packaging products are mainly used for milk bottles, shampoo bottles, plastic devices of electronic products, daily use hardware, package printing, sports drink bottles and related plastic-made products.

Management monitors the results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Business unit performance is evaluated based on revenue, as explained in the table below:

	2018	2017
	RMB'000	*RMB'000*
Tinplate packaging	**3,521,944**	3,268,923
Aluminium packaging	**2,461,200**	2,184,129
Plastic packaging	**608,163**	525,186
	6,591,307	5,978,238

Information about major customers

Revenue of approximately RMB2,071,098,000 (2017: RMB1,911,026,000) was derived from the five largest customers.

4. REVENUE, OTHER INCOME AND GAINS – NET

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**6,591,307**	5,978,238

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Type of goods		
Tinplate packaging	**3,521,944**	3,268,923
Aluminium packaging	**2,461,200**	2,184,129
Plastic packaging	**608,163**	525,186
Total revenue from contracts with customers	**6,591,307**	5,978,238
Geographical markets		
Mainland China	**6,422,751**	5,801,272
Overseas	**168,556**	176,966
Total revenue from contracts with customers	**6,591,307**	5,978,238

(ii) Performance obligations

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

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 180 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

	2018	2017
	RMB'000	*RMB'000*
Other income		
Bank interest income	**6,942**	8,280
Interest income from COFCO Finance	**2,948**	4,183
Interest income from an associate	**2,384**	780
Government grants*	**24,761**	27,564
Gross rental income	**1,055**	–
	38,090	40,807
Gains – net		
(Loss)/gain on disposal of items of property, plant and equipment	**(1,901)**	11,939
Foreign exchange differences, net	**8,562**	(11,339)
Other gains	**8,651**	8,226
	15,312	8,826
	53,402	49,633

* *The government grants are granted by the PRC's local authority to support local companies. There are no unfulfilled conditions or contingencies relating to these grants.*

5. PROFIT BEFORE INCOME TAX

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

	2018 *RMB'000*	2017 *RMB'000*
Cost of inventories sold	**5,633,213**	5,018,252
Realised and unrealised fair value (gains)/losses on derivative financial instruments, net	**(12,001)**	1,497
Reversal of provision against inventories	**–**	(2,402)
Cost of sales	**5,621,212**	5,017,347
Depreciation	**296,353**	263,570
Amortisation of land lease payments	**7,618**	7,660
Amortisation of other intangible assets	**4,802**	4,353
Research and development costs:		
Current year expenditure	**11,561**	16,818
Minimum lease payments under operating leases	**10,443**	14,480
Auditor's remuneration:		
Audit service	**1,950**	1,750
Non-audit services	**800**	1,050
	2,750	2,800
Impairment of financial and contract assets, net:		
Impairment/(reversal of impairment) of trade receivables, net*	**513**	(14)
Reversal of impairment of financial assets included in prepayments, other receivables and other assets*	**(6)**	(91)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**538,748**	488,698
Pension scheme contributions**	**47,519**	50,270
Other benefits	**39,807**	33,017
	626,074	571,985

* *The impairment (reversal of impairment) of trade receivables, prepayments and other receivables is included in administrative expenses in the consolidated statement of profit or loss.*

** *As at 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**117,483**	73,004
Interest on borrowings from a non-controlling shareholder	**448**	–
Less: Interest capitalised	**(27,565)**	(29,165)
	90,366	43,839

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**86,322**	103,021
Overprovision in prior years	**(3,806)**	(2,614)
Deferred	**(2,040)**	(2,049)
Total tax charge for the year	**80,476**	98,358

Pursuant to the approvals issued by the State Administration of Taxation of the PRC during the year ended 31 December 2013, the Company and most of its subsidiaries registered in Hong Kong and the British Virgin Islands are regarded as Chinese Resident Enterprises (collectively the "CREs") and the relevant enterprise income tax policies of the PRC are applicable to the CREs commencing from 1 January 2013.

Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at the rate of 25%. Two of the Group's subsidiaries are operating in a specific development zone in Mainland China, and the relevant tax authorities have granted the subsidiaries a preferential CIT rate of 15%. One of the Group's subsidiaries is qualified as a high-tech enterprise in Mainland China, and the relevant tax authorities have granted the subsidiary a preferential CIT rate of 15%. One of the Group's subsidiaries is qualified as a small enterprise earning low profits in Mainland China, and the relevant tax authorities have granted the subsidiary a preferential CIT rate of 10%.

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim – RMB0.060 (2017: RMB0.071) per ordinary share	**70,474**	83,394
Proposed final – RMB0.048 (2017: RMB0.061) per ordinary share	**56,379**	71,648
	126,853	155,042

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of RMB255,061,000 (2017: RMB310,511,000) and the weighted average number of ordinary shares of 1,174,560,000 (2017: 1,174,560,000) in issue during the year.

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

The calculations of basic and diluted earnings per share are based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**255,061**	310,511

	Number of shares	
	2018	2017
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,174,560**	1,174,560

10. INVESTMENT IN A JOINT VENTURE

	2018	2017
	RMB'000	*RMB'000*
Share of net assets	**876,074**	797,898
Goodwill on acquisition	**1,167**	1,167
	877,241	799,065
Other non-current receivables	**331,858**	–
	1,209,099	799,065

Particulars of the Group's material joint venture are as follows:

Name	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Qingyuan JDB Herbal Plant Technology Co., Ltd.# ("Qingyuan JDB Herbal")	PRC/Mainland China	30.58	30.58	*(note)*	Research, development, production, processing and sale of non-alcoholic beverages

\# *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network*

Note:

On 30 October 2017, CPMC Investment, an indirect wholly-owned subsidiary of the Company, entered into a capital increase agreement (the "Capital Increase Agreement") with Wisdom Kingdom Limited, Wong Lo Kat Limited ("Wong Lo Kat") and Qingyuan JDB Herbal, pursuant to which, among others, CPMC Investment agreed to make a capital contribution of RMB2,000,000,000 to Qingyuan JDB Herbal in exchange for a 30.58% equity interest therein, whilst Wong Lo Kat will inject the JDB Trademarks to Qingyuan JDB Herbal in exchange for 45.87% equity interest therein.

According to the Capital Increase Agreement, CPMC Investment was ensured with a dividend of not less than 10% of the actual amount of the capital increase injected in Qingyuan JDB Herbal in the first year, and the distributed divided shall increase year by year with a maximum amount of 20% of the actual amount of the then capital increase contributed by CPMC Investment ("Committed Dividend"). The rate of the Committed Dividend cannot be reduced after increased. The rate of the increase of the Committed Dividend will be generally contributable to the business and profitability of Qingyuan JDB Herbal in the upcoming years and determined annually.

The Group had made capital contribution up to RMB877,241,000 as at 31 December 2018 (31 December 2017: RMB799,065,000). However, Wong Lo Kat had not injected the JDB trademarks to Qingyuan JDB Herbal as undertaken in the Capital Increase Agreement. Consequently, the Group had filed an arbitration application to the Hong Kong International Arbitration Centre on 6 July 2018 against Wong Lo Kat, Wisdom Kingdom and Qingyuan JDB Herbal, demanding these companies to continue executing the Capital Increase Agreement by fulfilling their capital increase obligations and compensate the Group for its losses due to their breach of contract. Since the arbitration is in progress and no dividend was either declared by Qingyuan JDB Herbal or compensated by Wong Lo Kat or Wisdom Kingdom Limited up to the date of these financial statements, no Committed Dividend was recognised during the year of 2018.

The Group's shareholding in Qingyuan JDB Herbal is held through a wholly-owned subsidiary of the Company.

Qingyuan JDB Herbal, which is considered a material joint venture of the Group, is accounted for using the equity method.

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade and bills receivables from third-party customers	**1,575,232**	1,520,496
Trade and bills receivables from related parties	**118,352**	111,618
	1,693,584	1,632,114
Impairment	**(1,237)**	(1,321)
	1,692,347	1,630,793

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's trade receivables from related parties are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**1,209,994**	1,364,878
3 to 12 months	**480,432**	263,837
1 to 2 years	**1,800**	1,949
Over 2 years	**121**	129
	1,692,347	1,630,793

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

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**1,321**	1,679
Impairment losses, net *(Note 5)*	**513**	(14)
Amount written off as uncollectible	**(597)**	(344)
At 31 December	**1,237**	1,321

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss pattern (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than three years and are not subject to enforcement activity.

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

As at 31 December 2018

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.01%**	**0.03%**	**4.80%**	**33.34%**	**0.08%**
Gross carrying amount (RMB'000)	**1,536,191**	**8,000**	**3,044**	**2,945**	**1,550,180**
Expected credit losses (RMB'000)	**107**	**2**	**146**	**982**	**1,237**

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB1,321,000 with a carrying amount before provision of RMB1,321,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables as at December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	1,616,344
Less than 1 month past due	9,162
1 to 3 months past due	1,929
More than 3 months past due	3,358
	1,630,793

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 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.

12. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**1,056,612**	786,661
3 to 12 months	**125,188**	453,309
1 to 2 years	**6,231**	3,582
Over 2 years	**7,674**	5,487
	1,195,705	1,249,039

Among the trade and bills payables no trade payables (2017: RMB466,000) were due to COFCO (Hong Kong) and its subsidiaries, and trade payables of RMB2,594,000 due to ORG Technology and its subsidiaries (2017: RMB44,515,000) are repayable within 90 days, which represents credit terms similar to those offered by that fellow subsidiary to its major customers.

As at 31 December 2018, certain of the Group's bills payable were secured by the Group's bank deposits amounting to RMB48,506,000 (2017: RMB51,159,000).

Trade and bills payables are non-interest-bearing and the credit terms are normally 30 to 90 days.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has expressed a qualified opinion in its draft auditor's report on the Group's consolidated financial statements for the year ended 31 December 2018, an extract of which is as follows:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in note 10 to the consolidated financial statements, as at 31 December 2018, the Group had invested in a joint venture, namely Qingyuan JDB Herbal Plant Technology Co., Ltd., ("Qingyuan JDB Herbal") with the carrying amount of RMB1,209,099,000. In view of the ongoing arbitration with the joint venture partners of the Qingyuan JDB Herbal, management of the Group has performed an impairment assessment on the Group's investment in Qingyuan JDB Herbal and considered that no impairment provision was necessary.

We were not appointed as auditor of Qingyuan JDB Herbal. The evidence available to us for the assessment of the Management's impairment assessment was limited. We were unable to obtain reliable historical financial information related to Qingyuan JDB Herbal to evaluate the assumptions adopted by the Management in their impairment assessment. There are no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence we consider necessary to assess whether the investment in Qingyuan JDB Herbal was impaired. Any adjustments found to be necessary for the impairment of the investment in the joint venture as at 31 December 2018 would have consequential impact on the Group's net assets as at 31 December 2018 and the Group's profit for the year then ended.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS INTRODUCTION

The Group is principally engaged in the manufacturing and sale of packaging products used for consumer goods such as food, beverages and household chemical products, extensively covering the packaging markets of tea beverages, carbonated beverages, fruit and vegetable beverages, beer, dairy products, household chemical products and other consumer goods. In addition, the Group provides comprehensive packaging solutions including high technological packaging design, printing, logistics and comprehensive customer services. As a leading metal packaging provider in the PRC, the Group is committed to developing into the leader of the comprehensive consumer goods packaging industry in the PRC. The products of the Group mainly include tinplate packaging, aluminium packaging and plastic packaging. The Group carries out operations through 32 operating subsidiaries, an associate, a joint venture and their branches which are strategically located in different regions of the PRC in order to serve customers more efficiently. Ranking first in multiple market segments, the Group has earned the appreciation and trust of many well-known brands domestically and abroad, and established a solid customer base, including domestically and internationally renowned high-end consumer goods manufacturers.

Tinplate Packaging

The Group uses tinplate as the primary raw material for its tinplate packaging, the products of which include milk powder cans, aerosol cans, metal caps, steel barrels, three-piece beverage cans, round and square shaped cans, printed and coated tinplate and other metal packaging. The Group is in a leading position in a number of market segments such as milk powder cans and twist caps.

In 2018, tinplate prices experienced a drastic rise. With a significant year-on-year increase in 2017, the price of tinplate during the year increased by approximately 7.2%, posing greater challenges to the overall profit from tinplate packaging products. The Group actively responded to the issue and achieved growth in both the sales of and revenue from most tinplate packaging products. As at 31 December 2018, the sales revenue from the Group's tinplate packaging business amounted to approximately RMB3,522 million (2017: approximately RMB3,269 million), representing an increase of approximately 7.7% from 2017, and accounted for approximately 53.4% of the total sales (2017: approximately 54.7%). Due to the slight delay in the passing of the rapidly rising cost of raw materials to the selling price of products, the gross profit margin of the tinplate packaging business in 2018 was approximately 14.1% (2017: approximately 16.5%).

Milk Powder Cans

Milk powder cans are mainly used for the packaging of infant formula milk powder, health food and other products. The Group is the largest milk powder can manufacturer in the PRC. In 2018, the sales revenue from the milk powder can business amounted to approximately RMB594 million (2017: approximately RMB570 million), representing a year-on-year increase of approximately 4.2%. Since the implementation of the formula milk powder registration system a year ago, the brand concentration in the domestic market has been higher, the market shares of domestic brands have gradually increased, and the overall demand has remained stable and seen an upward trend occasionally. Aligning closely with the opportunities arising from the accelerating market consolidation amid the new policy environment, the Group increased its investment in key areas and gave full play to the advantage of the factory-within-a-factory business. The Group also catered to the needs of major customers and provided differentiated products and services accordingly to further enhance customer stickiness and garner the appreciation of branded customers. Renowned customers of the Group's milk powder cans include Yili, Feihe Dairy, Junlebao, Mengniu and Nestle.

Aerosol Cans

Aerosol cans are primarily used for the packaging of household chemical products (e.g. car maintenance products, air fresheners, personal care products and pesticides) and other chemical products. The Group strengthened its strategic cooperation with the leading enterprises in the industry segments, explored business opportunities in the regional markets, developed new products, and increased production capacity at a moderate pace to prepare for subsequent development. In 2018, the Group recorded sales revenue of approximately RMB355 million (2017: approximately RMB382 million), representing a year-on-year decrease of approximately 7.1%. Renowned customers of the Group's aerosol cans include Gunuo Tianjin, Shenzhen Rainbow, Johnson Shanghai, Zhongshan Lanju and Hebei Kangda.

Metal Caps

Metal caps include twist caps and crown caps. In 2018, the Group's sales revenue from the metal cap business amounted to approximately RMB472 million (2017: approximately RMB455 million), representing a year-on-year increase of approximately 3.7%. In prompt response to the market changes, the Group actively facilitated the application of new international standards in its twist cap business and improved the sales and profitability of products by leveraging the technical advantage of new product research and development. Renowned customers of the Group's metal caps include Haiday, Jiajiahong, Chubang, Lao Gan Ma, Anheuser-Busch InBev, China Resources Snow Beer and Tsingtao Brewery.

Steel Barrels

The Group produces steel barrels with a volume of 200 litres or above, which are mainly used for carrying raw food ingredients (e.g. bulk edible oil) and chemical products. In 2018, the Group continued to promote the development of and cooperation with international brand customers, improved the order share of quality customers, coordinated production and marketing activities precisely, promoted the unleashing of new production capacity effectively, ensured the quality and timely delivery of products, increased investment in environmental protection, strengthened price management and obtained the trust of major customers. The sales revenue was approximately RMB815 million (2017: approximately RMB677 million), representing a year-on-year increase of approximately 20.4%. Renowned customers of the Group's steel barrels include Sinopec, Exxon Mobil, PetroChina, BASF, COFCO and Yihai Kerry.

Three-Piece Beverage Cans (Three-Piece Cans)

Three-piece beverage cans ("three-piece cans") are used widely for the packaging of protein drinks, energy drinks, mixed congee, fruit and vegetable juice, coffee, etc. The Group paid attention to the new products opportunities of the downstream market closely, served major customers actively and increased the supply proportion of quality customers diligently. The sales revenue from three-piece cans was approximately RMB528 million (2017: approximately RMB461 million), representing a year-on-year increase of approximately 14.5%. Renowned customers of the Group's three-piece beverage cans include Red Bull, Yangyuan, Yili, Yinlu and Lulu.

Round and Square Shaped Cans

The Group's round and square shaped cans products are mainly used in the packaging of various chemical oil paint, paint and small package of oils and fats products, etc. In 2018, the Group promoted the application of new craft and technology internally, continually reduced cost and improved efficiency, strengthened the development of new customers and price management externally, and achieved rapid growth in sales performance. During the year, the Group's sales revenue from round and square shaped cans business was approximately RMB254 million (2017: approximately RMB220 million), representing a year-on-year increase of approximately 15.5%. Renowned customers of the Group's round and square shaped cans include Whistler Group, Akzo Nobel, Carpoly, Foster and Yihai Kerry.

Printed and Coated Tinplates

The Group's printed and coated tinplates are mainly used in various gift candy boxes, food, chemicals, caps, batteries and other electronic and electric appliances (e.g. rice cookers). The products are also used to satisfy the Group's internal demand arising from the manufacture of cans (i.e. milk powder cans and three-piece beverage cans) and metal caps (i.e. twist caps and crown caps). In 2018, the Group's total production capacity of printed and coated tinplates increased by approximately 6.2% year on year. Limited by the increased internal demand, external sales revenue from the printed and coated tinplates business was approximately RMB311 million (2017: approximately RMB350 million), representing a year-on-year decrease of approximately 11.1%. Renowned customers of the Group's printed and coated tinplates include ORG, Supor, Lao Gan Ma, T.G. Battery and Panasonic.

Aluminium Packaging

The Group uses aluminium as the main raw material for its aluminium packaging products, which mainly include two-piece beverage cans ("two-piece cans") and one-piece cans. Aluminium packaging products are characterised by a high degree of automatic production and full product recyclability, etc., and have been one of the core business developments of the Company in recent years.

In 2018, aluminium price remained at a high level, but decreased slightly since the third quarter. Demand from the domestic two-piece cans industry maintained steady growth, but newly-added production capacity was limited and the landscape of industry supply and demand gradually improved. The Group promoted the steady unleashing of new production capacity from mergers and acquisitions, developed multi-can-type supply capacity, dealt with market changes, adjusted order structure and proactively focused on overseas expansion opportunities. Meanwhile, the Group continued to improve the production efficiency of one-piece cans, leading to a continuous growth in sales revenue of aluminium packaging products. In 2018, the Group's sales revenue from aluminium packaging was approximately RMB2,461 million (2017: approximately RMB2,184 million), representing an increase of approximately 12.7% over 2017, and accounted for approximately 37.4% of the total sales (2017: approximately 36.5%). Gross profit margin of the aluminium packaging business in 2018 was approximately 16.4% (2017: approximately 16.2%).

Two-piece Beverage Cans (Two-piece Cans)

Two-piece cans products are primarily used for the packaging of beers, carbonated drinks and tea beverages. Since 2018, total market demand continued to maintain growth, and trend for product diversification demand began to emerge. However, newly-added production capacity was limited, adjustment frequency of production line model-switching increased, and industry supply and demand dynamics became more balanced. Meanwhile, as industry consolidation continued to progress in an orderly way, the whole two-piece can industry developed steadily. The Group steadily implemented the commissioning of a new production line of its acquired Haining-Jihong and gradually unleashed production capacity in the second half of 2018 to meet market demand. The Group also closely focused on overseas market opportunities, on 12 December 2018, the Group's subsidiary and Jiaxing Haoneng entered into a framework agreement, intending to set up a joint venture and establish a two-piece can factory in Belgium to provide quality products and services for local customers in the beer and beverage industries. In 2018, the Group's sales revenue from the two-piece can business was approximately RMB2,280 million (2017: approximately RMB2,025 million), representing a year-on-year increase of approximately 12.6%. Renowned customers of the Group's two-piece cans include Snow Beer, Coca-Cola, Anheuser-Busch InBev, Tsingtao Brewery and JDB.

One-Piece Cans

One-piece cans products are primarily used for the packaging of household chemical products, beers, carbonated drinks and medical products. The Group continued to invest in research on and development of market segments, strengthened strategic cooperation with leading enterprises in the industry, and further improved production capacity and delivery capability while continuing to focus on the development of new products and new customers. In 2018, the Group's sales revenue from one-piece cans was approximately RMB181 million (2017: approximately RMB159 million), representing a year-on-year increase of approximately 13.8%. Renowned customers of the Group's one-piece cans include Anheuser-Busch InBev, Tsingtao Brewery, Carlsberg, and South Ocean (南洋藥業), etc.

Plastic Packaging

The Group's plastic packaging products are mainly used for the packaging of personal care, household chemical and food and beverage products. In 2018, the Group continued to enhance customer and order structure, improve production efficiency and product quality, and further secured its dominant position in the household chemical products market by further boosting automation and implementing the plant-within-plant model. The Group also expanded the food customer market rapidly and increased the revenue of plastic business so as to improve the profitability. The sales revenue from the plastic packaging business was approximately RMB608 million in 2018 (2017: approximately RMB525 million), representing a year-on-year increase of approximately 15.8%, and accounted for approximately 9.2% of the total revenue (the same period of 2017: approximately 8.8%). Due to the initial investment in new plants and accounting adjustments, the gross profit margin of the plastic packaging business in 2018 was approximately 11.7% (the same period of 2017: approximately 12.7%). Renowned customers of the Group's plastic packaging include P&G, Blue Moon, Reckitt Benckiser, Haiday, Pigeon and Heinz.

Financial review

For the year ended 31 December 2018, revenue of the Group amounted to approximately RMB6,591 million (2017: approximately RMB5,978 million), representing an increase of approximately RMB613 million or 10.3%. The increase in revenue was primarily due to the increase in the sales volume of our products. Gross profit margin reached approximately 14.7% in the year of 2018 (2017: approximately 16.1%), representing a slight decrease as compared with the same period in the previous year. The decrease was primarily due to the impact of the rise in the prices of raw materials.

For the year ended 31 December 2018, net profit amounted to approximately RMB265 million (2017: approximately RMB312 million), representing a decrease of approximately RMB47 million or 14.9% as compared to the same period in the previous year, primarily due to the decreased gross profit margin of the products.

GROUP'S PROFIT

For the year ended 31 December 2018, the Group's profit before income tax was approximately RMB346 million (2017: approximately RMB410 million), representing a decrease of approximately RMB64 million or 15.6% as compared to the same period in the previous year.

Finance costs were approximately RMB90 million (2017: approximately RMB44 million), representing a larger increase as compared to the same period in the previous year, which was mainly due to the increase in the financing scale.

Income tax expenses were approximately RMB80 million (2017: approximately RMB98 million). The effective income tax rate of the Group in 2018 was approximately 23.3% (2017: approximately 24.0%).

Outlook for 2019

In 2019, with the continuous improvement in people's living standards, consumption, as the major driver of economic growth, will continue to push forward the steady growth of the Chinese economy. Meanwhile, the gradual balance between supply and demand in relevant industries, the improving competitive landscape and the stable prices of raw materials can also boost the quality development of enterprises. The Group will keep closely aligned with customers' needs, dig opportunities in the industry, consolidate the market position of advantageous and profitable products, develop potential markets, give full play to the synergies of multi-product lines, promote the unleashing of new production capacity, continue to enhance the deployment of production capacity and ensure the sound implementation of overseas projects while keeping domestic footprints. The Group will solve the JDB project disputes properly, serve customers with quality products and reward shareholders with satisfactory performance.

CASH FLOW, FINANCIAL RESOURCES AND GEARING RATIO

In 2018, the Group's main sources of funding were cash generated from operating activities and bank loans.

	31 December 2018 *RMB (million)*	31 December 2017 *RMB (million)*
Net assets	**5,249**	5,292
Cash and cash equivalents	**894**	711
Total borrowings	**4,093**	3,248
Equity attributable to equity holders of the Company	**4,897**	4,976
Current ratio	**1.1**	1.5
Gearing ratio*	**65.3%**	51.0%

* *The gearing ratio is calculated as net borrowings divided by equity attributable to equity holders of the Company, in which the net borrowings are calculated as total borrowings less cash and cash equivalents.*

As at 31 December 2018, the Group had net assets of approximately RMB5,249 million (31 December 2017: approximately RMB5,292 million). Equity attributable to equity holders of the Company was approximately RMB4,897 million, which has slightly decreased as compared to approximately RMB4,976 million as at 31 December 2017.

The current ratio and gearing ratio as at 31 December 2018 were approximately 1.1 and approximately 65.3%, respectively (31 December 2017: approximately 1.5 and approximately 51.0% respectively). The current ratio as at 31 December 2018 was approximately 1.1, which has decreased by approximately 0.4. It was mainly due to the fact that certain bank loans will be matured within one year. The increase in gearing ratio from approximately 51.0% as at 31 December 2017 to approximately 65.3% as at 31 December 2018 was mainly due to the increase in the bank loans of the Company. Interest-bearing bank loans were approximately RMB4,093 million as at 31 December 2018. The Group did not have any assets that were pledged for the outstanding bank loans as at 31 December 2018 and 31 December 2017.

CAPITAL EXPENDITURE, COMMITMENTS AND CONTINGENT LIABILITIES

For the year ended 31 December 2018, the Group's capital expenditure was approximately RMB658 million, which was as follows:

	RMB million	**Percentage of capital expenditure**
Acquisition of new companies and related investment	120	18.2%
Investments in a joint venture	78	11.9%
Tinplate project	94	14.3%
Two-piece cans project	148	22.5%
Steel barrels project	67	10.2%
Plastics project	68	10.3%
Other equipment purchases	83	12.6%
Total	658	100.0%

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

	2018	2017
	RMB'000	*RMB'000*
Within one year	**5,510**	4,624
In the second to fifth years, inclusive	**6,959**	185
After five years	**243**	–
	12,712	4,809

As at 31 December 2018, the Group had the following capital commitments:

	2018	2017
	RMB'000	*RMB'000*
Contracted, but not provided for:		
property, plant and equipment	**514,337**	361,417
capital contribution payable to a joint venture	**1,122,759**	1,200,935

As at 31 December 2018, save as mentioned above, the Group had no other significant commitments and contingent liabilities.

FOREIGN EXCHANGE RISK

The Group's main operations are located in China. Other than some of the bank loans and bank deposits which are denominated in U.S. dollars and Hong Kong dollars, most of the assets, income, payments and cash balances are denominated in RMB. The Directors consider that exchange rate fluctuations have no significant impact on the Company's results.

HUMAN RESOURCES

As at 31 December 2018, the Group had 6,743 full-time employees (2017: 6,488), of which approximately 1,815 were engineers and technical staff or employees with higher education backgrounds. The table below shows the number of employees of the Group by function as at 31 December 2018:

Function	**No. of employees**	**Percentage of total no. of employees**
Management and Administration	886	13.2%
Sales and Marketing	259	3.8%
Research and Development in Technology and Engineering	798	11.8%
Production and Quality Control	4,800	71.2%
Total	6,743	100.0%

As at 31 December 2018, the Group's total staff cost was approximately RMB626 million, as compared to RMB572 million in the same period last year. The Group determined the salary of the employees based on their performance, the standard of salary in the respective regions, and the industry and market conditions. The benefits of the employees in the mainland China included pension fund, medical insurance, unemployment insurance, maternity insurance and employment-related injury insurance and housing fund contributions. In addition to the requirements of the PRC law, the Group has made voluntary contributions to an annuity plan, which was implemented with effect from 1 January 2009, for the benefit of the Group's employees when they reach certain seniority. The benefits of the employees in Hong Kong included mandatory provident fund, life insurance and medical insurance.

ARBITRATION

As disclosed in the announcements of the Company dated 6 July 2018 and 9 July 2018, CPMC Investment Co., Ltd. ("CPMC Investment"), an indirectly wholly-owned subsidiary of the Company entered into the capital increase agreement (the "Capital Increase Agreement ") with Wong Lo Kat Limited ("Wong Lo Kat"), Wisdom Kingdom Limited ("Wisdom Kingdom") and Qingyuan JDB Herbal Plant Technology Co., Ltd.* (清遠加多寶草本植物科技有限公司) ("Qingyuan JDB Herbal") on 30 October 2017 (details of which are set out in the Company's announcement dated 30 October 2017 and the circular dated 30 November 2017). Nonetheless, since Wong Lo Kat has not performed its undertaking to inject the JDB Trademarks to Qingyuan JDB Herbal as its asset capital contribution pursuant to the Capital Increase Agreement, CPMC Investment has filed an arbitration application to Hong Kong International Arbitration Centre against Wong Lo Kat, Wisdom Kingdom and Qingyuan JDB Herbal with regard to the aforesaid matter on 6 July 2018. As at the date of this report, there was no material development on the said arbitration application. Having considered the legal advice and that the arbitration is in a preliminary stage, the Board consider that the ongoing arbitration is not likely to have material adverse financial impact upon the Group at this stage. No Committed Dividend was recognized and no provision in respect of the arbitration was made in the consolidated financial statements of the Group for the year ended 31 December 2018. The Company will keep the shareholders informed on the status of this arbitration.

* *For identification purpose only*

FINAL DIVIDENDS

The Board recommended the payment of a final dividend of RMB0.048 (equivalent to HK5.6 cents) per ordinary share of the Company for the year ended 31 December 2018, subject to the approval obtained at the annual general meeting to be held on 3 June 2019 (the "2019 AGM").

The proposed final dividend for the year ended 31 December 2018 will be distributed on or after Wednesday, 26 June 2019 to shareholders of the Company (the "Shareholders") whose names appear on the Shareholders' register of the Company on Thursday, 13 June 2019 (the "Record Date").

Pursuant to "Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management"(《關於境外註冊中資控股企業依據實際管理機構標準確定為居民企業有關問題的通知》) (the "Notice") which was issued by the State Administration of Taxation (the "SAT") of the PRC on 22 April 2009 and implemented on 1 January 2008, enterprises controlled by Chinese enterprises or enterprise groups and registered outside China shall be regarded as resident enterprises with de facto management bodies located in China, or "offshore-registered resident enterprises" (非境內註冊居民企業), if all of the following criteria are present or effected in the PRC: (1) senior management in charge of daily operations and offices; (2) decision-making or authorised departments regarding financial management and human resources; (3) primary assets, accounting books, seals, records and files of shareholders' meetings or board of directors' meetings; and (4) directors or senior management with 50% or more voting rights ordinarily reside in China. Whether or not a Chinese-controlled offshore enterprise is an offshore-registered resident enterprise is subject to preliminary review by the local tax bureau where the de facto management body of Chinese-controlled offshore enterprise or its controller is based and is subject to final confirmation by SAT.

As disclosed in the announcement of the Company dated 9 June 2013, the Company had received the SAT approvals which confirmed that the Company is regarded as a Chinese Resident Enterprise, effective from 1 January 2013. Therefore, the Company will implement enterprise income tax withholding arrangement for the proposed year 2018 final dividend.

Pursuant to the Notice, the Enterprise Income Tax Law and the Implementation Rules of the laws of PRC, the Company is required to withhold 10% enterprise income tax when it distributes the proposed year 2018 final dividend to its non-resident enterprise shareholders. In respect of all shareholders whose names appear on the Company's register of members on the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the proposed year 2018 final dividend after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the proposed year 2018 final dividend payable to any natural person shareholders whose names appear on the Company's register of members on the Record Date.

If any resident enterprise (as defined in the PRC's Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withholding the said 10% enterprise income tax, it should lodge with the Company's Registrar, Computershare Hong Kong Investor Services Limited, documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled at or before 4:30 p.m. on Thursday, 6 June 2019.

Investors should read the above carefully. If anyone would like to change the identity of the holders in the Company's register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold the payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever and will not entertain any claims arising from any delay in, or inaccurate confirmation of, the status of the shareholders or any disputes over the mechanism of withholding.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' eligibility to attend and vote at the 2019 AGM

Latest time to lodge transfer documents for registration	4:30 p.m. on 28 May 2019
Closure of Register of members	29 May to 3 June 2019 (both dates inclusive)
Record date	3 June 2019

For determining the Shareholders' entitlement to the final dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on 6 June 2019
Closure of Register of members	10 June to 13 June 2019 (both dates inclusive)
Record date	13 June 2019

In order to qualify for the proposed final dividend and attend the 2019 AGM, Shareholders should contact the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on the matters such as transfer of shares, change of name or address, or loss of share certificates.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Upon making specific enquiries of all Directors, the Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2018.

REMUNERATION COMMITTEE

The Company approved on 23 October 2009 the establishment of the remuneration committee of the Company (the "Remuneration Committee") upon the listing of the Company's shares on the Stock Exchange with written terms of reference to state its authority and duties. A majority of the members of the Remuneration Committee are independent non-executive Directors.

AUDIT COMMITTEE

The Company approved on 23 October 2009 the establishment of the audit committee of the Company (the "Audit Committee") upon the listing of the Company's shares on the Stock Exchange with written terms of reference to state its authority and duties. A majority of the members of the Audit Committee are independent non-executive Directors.

The Audit Committee reviewed with the senior management the accounting policies and practices adopted by the Group and discussed auditing, the internal control system and financial reporting matters. It has also reviewed the draft of consolidated financial statements of the Company for the year ended 31 December 2018, the draft of 2018 annual report of the Company, the management letter from the auditors of the Company, the draft of preliminary announcement of the Group's results for the year ended 31 December 2018 and the audit scope and fees for the year ended 31 December 2018.

NOMINATION COMMITTEE

The Company approved on 23 October 2009 the establishment of the nomination committee of the Company (the "Nomination Committee") upon the listing of the Company's shares on the Stock Exchange. The Board has also adopted the terms of reference for the Nomination Committee which are in line with the code provisions set out in the CG Code and are posted on the Stock Exchange's website and the Company's website. A majority of the members of the Nomination Committee are independent non-executive Directors.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established on 22 December 2016 and the Board has adopted the terms of reference for the Risk Management Committee which are in line with the code provisions set out in the CG Code and are published on the Stock Exchange's website and the Company's website. A majority of members of the Risk Management Committee are non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement of the Group's 2018 annual results have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary results announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.cofco-pack.com). The 2018 annual report will be published on the websites of the Stock Exchange and the Company and also be dispatched to the Shareholders in due course.

By order of the Board
CPMC Holdings Limited
Zhang Xin
Chairman and Executive Director

Hong Kong, 26 March 2019

As at the date of this announcement, the chairman of the Board and executive Director is Mr. Zhang Xin, the executive Director is Mr. Zhang Ye, the non-executive Directors are Ms. Yu Youzhi, Messrs. Chen Qianzheng, Zhou Yuan and Shen Tao, and the independent non-executive Directors are Messrs. Cheng Yuk Wo, Fu Tingmei and Pun Tit Shan.