



中國鋁罐控股有限公司

China Aluminum Cans Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6898

INTERIM
REPORT
2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Kwok Tak Wang

Independent Non-executive Directors

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

COMMITTEES OF THE BOARD

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

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

AUTHORIZED REPRESENTATIVES

Mr. Lin Wan Tsang
Ms. Ho Wing Yan (*ACG, ACS (PE)*)

COMPANY SECRETARY

Ms. Ho Wing Yan (*ACG, ACS (PE)*)

REGISTERED OFFICE

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

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National Health Technology Park of Zhongshan
Torch Development Zone
Zhongshan City
Guangdong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION

AUDITOR

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

6898

WEBSITE FOR THE COMPANY

www.6898hk.com

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

BUSINESS REVIEW

China Aluminum Cans Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the manufacture and sale of monobloc aluminum aerosol cans, which are generally used in the packaging of fast-moving personal care products such as sanitizer products, body deodorant, hair styling products and shaving cream, as well as pharmaceutical products such as pain relieving spray, spray dressing and antiseptic spray. The Group has a wide range of extrusion dies available to produce more than 50 models of aluminum aerosol cans of base diameters from 22 mm to 66 mm and heights from 58 mm to 247 mm with various features and shapes for our customers’ selection.

Our revenue is primarily derived from the sale of aluminum aerosol cans. For the six months ended 30 June 2021, revenue derived from the sale of aluminum aerosol cans was approximately HK\$106.6 million (six months ended 30 June 2020: approximately HK\$98.6 million). The Group’s revenue for the six months ended 30 June 2021 recorded an increase of approximately 8.1% as compared to the same period in 2020. The increase in revenue was mainly due to (i) steady recovery of the market of fast moving consumption products in the People’s Republic of China (“PRC”), and (ii) a short term locked-down in PRC was imposed in first half of 2020.

OPERATING ENVIRONMENT AND PROSPECTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2021, the Group's aluminum aerosol cans segment recorded a turnover of approximately HK\$106.6 million (six months ended 30 June 2020: approximately HK\$98.6 million), representing an increase of approximately 8.1% as compared to the corresponding period of 2020. The number of aluminum aerosol cans sold by the Group for the six months ended 30 June 2021 was approximately 57.9 million (six months ended 30 June 2020: approximately 57.6 million). The increase in revenue was mainly due to (i) steady recovery of the market of fast moving consumption products in the People's Republic of China ("PRC"), and (ii) a short term locked-down in PRC was imposed in first half of 2020. As a result, the turnover for both the PRC and overseas market are increasing.

PRC and overseas customers

The Group focused on PRC market, which the revenue from the PRC market amounted to approximately 89.0% for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately 91.1%). For the six months ended 30 June 2021, the PRC customers and overseas customers contributed approximately HK\$94.9 million (six months ended 30 June 2020: approximately HK\$89.9 million) and HK\$11.7 million (six months ended 30 June 2020: approximately HK\$8.7 million) to the total revenue of the Group. There was an increase of approximately 5.6% in sales from PRC customers which was mainly due to (i) steady recovery of the market of fast moving consumption products in PRC; and (ii) a short term locked-down in PRC was imposed in first half of 2020. There was an increase of approximately 34.5% in sales from the overseas customers which was mainly due to (i) a portion of market demand originated from overseas of the aerosol cans shifted to PRC as prolonged and ongoing outbreak of COVID-19 pandemic in overseas countries was noted in 2021, and (ii) lower production capacity was noted due to a short term locked-down in PRC was imposed in first half of 2020.

Cost of Sales

For the six months ended 30 June 2021, cost of sales of the Group amounted to approximately HK\$74.3 million (six months ended 30 June 2020: approximately HK\$61.6 million), which represented approximately 69.7% (six months ended 30 June 2020: approximately 62.5%) of the turnover. There was an increase of approximately 7.2% in percentage of cost of sales which was mainly attributable to the increase in raw material prices, especially, aluminum ingots.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK\$32.3 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$37.0 million), representing a decrease of approximately 12.7% as compared to the corresponding period of 2020. The decrease in gross profit was mainly driven by increase in raw material prices which was partially offset by increase of sales volume and production scales, which shared a lower fixed overhead costs per unit. As a result, the gross profit margin decreased from approximately 37.5% for the six months ended 30 June 2020 to approximately 30.3% for the corresponding period of 2021.

Other Income and Gains

Other income and gains mainly comprise sale of scrap materials, income from the R&D design, government grants and bank interest income. For the six months ended 30 June 2021, other income and gains of the Group was approximately HK\$4.9 million (six months ended 30 June 2020: approximately HK\$2.4 million), representing a significant increase of approximately 104.2% which was due to the net effects of (i) the significant increase in sale of scrap material income; (ii) the decrease in exchange gains; (iii) the increase in income of R&D design; and (iv) the decrease in government grants.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel and entertainment expenses, and advertisement and promotion costs. For the six months ended 30 June 2021, selling and distribution expenses were approximately HK\$4.1 million (six months ended 30 June 2020: approximately HK\$3.7 million), representing an increase of approximately 10.8% as compared to the corresponding period of 2020. The increase was primarily due to (i) an increase in salaries and employee benefits expenses; and (ii) an increase in general selling expenses as a result of increasing in revenue.

Administrative Expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, depreciation and other miscellaneous administrative expenses. For the six months ended 30 June 2021, administrative expenses were approximately HK\$10.0 million (six months ended 30 June 2020: approximately HK\$10.0 million), which remain steadily as compared to the corresponding period of 2020. The administrative expenses remain steadily which was primarily due to the net effects of (i) the significant decrease in professional fee and consulting fee of approximately HK\$0.5 million; and (ii) the increase in salaries of approximately HK\$0.2 million.

Finance Costs

For the six months ended 30 June 2021, the finance costs of the Group were approximately HK\$82,000 (six months ended 30 June 2020: approximately HK\$66,000), representing an increase of approximately 24.2% as compared to the corresponding period of 2020. The significant increase in finance cost was mainly due to increase in weighted average bank loans outstanding and increase in average interest rate.

Net Profit

The Group's net profit amounted to approximately HK\$12.9 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$14.2 million), representing a decrease of approximately 9.2% as compared to the corresponding period in 2020. Net profit margin for the six months ended 30 June 2021 was approximately 12.1% (six months ended 30 June 2020: approximately 14.4%).

The decrease in net profit was mainly due to net effects of (i) the increase in sales and production scales; (ii) the increase in other income and gains; and (iii) the increase in raw material prices, especially, aluminum ingots.

TREASURY POLICY

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

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2021, the Group had net current assets of approximately HK\$120.4 million (31 December 2020: approximately HK\$114.6 million). The Group's cash and cash equivalents amounted to HK\$86.1 million as at 30 June 2021 (31 December 2020: approximately HK\$102.7 million) which are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The current ratio of the Group was approximately 5.7 as at 30 June 2021 (31 December 2020: approximately 4.2).

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and the Pledge of Assets

As at 30 June 2021, there was no outstanding of bank borrowing of the Group (31 December 2020: approximately HK\$11.9 million), which were secured by our property, plant and equipment and land use rights. All borrowings are charged with reference to bank's preferential floating rates of People's Bank of China. All borrowings are denominated in Renminbi.

As at 30 June 2021, we had available unutilized banking facilities of approximately HK\$169.8 million (31 December 2020: approximately HK\$172.7 million).

Gearing Ratio

As a result of the decrease in cash and cash equivalents and the decrease in total borrowings of the Group, the gearing ratio which is calculated by dividing net debt by total equity, amounted to approximately -26.9% as at 30 June 2021 (31 December 2020: approximately -31%).

CAPITAL STRUCTURE

As at 30 June 2021, the total number of issued shares of the Company (the "Shares") was 901,785,000 (31 December 2020: 901,785,000).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 11.0% of the Group's revenue for the six months ended 30 June 2021 were denominated in United States dollars ("US\$"). However, over 90.0% of the production costs were settled in RMB. Therefore, there is a currency mismatch between US\$ revenue and RMB production costs, which gives rise to exposure to foreign exchange risk. Furthermore, there is a time lag between invoicing and final settlement from customers of export sales. The Group is exposed to foreign exchange risks if the foreign exchange rate at which the US\$ sales proceeds received from export sales is different from the rate at which the Group used to book the US\$ sales transactions at the time of sales.

During the six months ended 30 June 2021, we did not enter into any foreign currency forward contracts nor have any outstanding foreign currency forward contracts.

FORWARD PURCHASE OF ALUMINUM INGOTS

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

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

During the period ended 30 June 2021, we had conducted forward purchases with the amount of approximately RMB3.8 million consisting of approximately 237 tonnes of aluminum ingots. As at 30 June 2021, we had outstanding forward purchases with notional amounts of RMB1.0 million involved with 60 tons of aluminum ingots.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2021, the Group had a workforce of 259 employees (31 December 2020: 258 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$13.2 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$12.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of an individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to retain eligible employees of the Group. Share options would be granted to respective employees with outstanding performance and contributions to the Group. The emoluments of the directors of the Company (the "Directors") have been determined with reference to the skills, knowledge, and contribution in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the six months ended 30 June 2021.

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group did not have any significant investments (31 December 2020: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2021, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 28 June 2013 (the "Prospectus") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the public offer and placing of the Shares (the "Share Offer") were approximately HK\$80 million. During the six months ended 30 June 2021, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds (HK\$ million)	Actual amount utilized up to 31 December 2020 (HK\$ million)	Actual amount utilized subsequent to 31 December 2020 and up to 30 June 2021 (HK\$ million)		Expected timeline for unutilised net proceeds
			Remaining unutilized balance as at 30 June 2021 (HK\$ million)	Remaining unutilized balance as at 30 June 2021 (HK\$ million)	
Partially fund the expansion of our production capacity, including the upgrade of our existing production lines and the acquisition of a brand new production line for aluminum aerosol cans	48.0	48.0	—	—	by 31 December 2022
Establish a new research and development laboratory	12.0	3.3	—	8.7	
Partially repay US\$ denominated bank loan	16.0	16.0	—	—	
General working capital purposes	4.0	4.0	—	—	
	80.0	71.3	—	8.7	

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTRACTUAL OBLIGATIONS

As at 30 June 2021, the Group's capital commitments of plant and machinery amounted to approximately HK\$2.4 million (31 December 2020: HK\$5.0 million).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2021 and up to the date of this report.

ISSUE OF THE CONVERTIBLE NOTES

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

As a result of the spin-off and separate listing of the shares of Precious Dragon Technology Holdings Limited ("Precious Dragon") on the Main Board of the Stock Exchange by way of introduction implemented by means of a distribution in specie (the "Distribution") of the entire issued share capital of Precious Dragon owned by the Company to the shareholders of the Company, the conversion price of the Convertible Notes was adjusted from HK\$1.08 per share to HK\$0.46 per share, with effect from 15 June 2019, the day following the record date for the Distribution.

On 24 March 2020, the Company and Mr. Lin Wan Tsang, the holder of the Convertible Notes, entered into the deed of amendment (the "Deed of Amendment") to (i) extend the maturity date of the Convertible Notes by five years from 20 May 2020 to 20 May 2025; and (ii) revise upwards the conversion price of the Convertible Notes from HK\$0.46 per share to HK\$0.55 per share (collectively, the "Amendments to the terms and conditions of the Convertible Notes").

Mr. Lin Wan Tsang is an executive Director, the chairman of the Board and the controlling shareholder of the Company, hence, is a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Accordingly, the Amendments to the terms and conditions of the Convertible Notes effected by the Deed of Amendment had constituted a connected transaction for the Company under the Listing Rules.

The Deed of Amendment was approved by the shareholders of the Company other than Mr. Lin Wan Tsang and his associates at the annual general meeting of the Company held on 15 May 2020 and the Amendments to the terms and conditions of the Convertible Notes was approved by the Stock Exchange subsequently.

MANAGEMENT DISCUSSION AND ANALYSIS

Assuming that there is no change in share capital of the Company since 30 June 2021 and the conversion rights attached to the Convertible Notes are exercised in full, the number of issued shares of the Company will be increased by 494,228,072 (the "Conversion Shares"), representing approximately 54.81% of the issued shares of the Company as at 30 June 2021 (i.e. 901,785,000 Shares) and approximately 35.40% of the issued shares of the Company as enlarged by the allotment and issue of the Conversion Shares (i.e. 1,396,013,072 Shares).

Dilution effect of the conversion of Convertible Notes

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

Substantial Shareholders	As at 30 June 2021		Upon full conversion of Convertible Notes as at 30 June 2021	
	Number of Shares	Approximately % of issued Shares	Number of Shares	Approximately % of issued Shares
Mr. Lin Wan Tsang	392,546,000	43.53	886,774,072	63.52
Wellmass International Limited	268,000,000	29.72	268,000,000	19.20

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

Dilution impact on earnings per share

As calculated based on profit attributable to owners of the Company of approximately HK\$12.7 million for the six months ended 30 June 2021, basic and diluted earnings per share of the Company amounted to HK1.4 cents and HK0.9 cent, respectively.

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

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

Date	31 December 2021 (HK\$ per share)	31 December 2022 (HK\$ per share)
Share prices	0.55	0.55

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Independent review report

To the board of directors of China Aluminum Cans Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 27, which comprises the condensed consolidated statements of financial position of China Aluminum Cans Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

23 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
REVENUE	3	106,587	98,573
Cost of sales		(74,315)	(61,556)
Gross profit		32,272	37,017
Other income and gains		4,897	2,414
Selling and distribution expenses		(4,147)	(3,692)
Administrative expenses		(10,006)	(10,033)
Research and development expenses		(5,353)	(4,873)
Impairment losses on financial assets		(720)	(684)
Other expenses		(1,314)	(1,192)
Finance costs		(82)	(66)
PROFIT BEFORE TAX	4	15,547	18,891
Income tax expense	5	(2,636)	(4,648)
PROFIT FOR THE PERIOD		12,911	14,243
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		3,009	(6,941)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		3,009	(6,941)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		15,920	7,302
Profit attributable to:			
Owners of the parent		12,712	13,988
Non-controlling interests		199	255
		12,911	14,243
Total comprehensive income attributable to:			
Owners of the parent		15,666	7,138
Non-controlling interests		254	164
		15,920	7,302
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic			
– For profit for the period		HK1.4 cents	HK1.6 cents
Diluted			
– For profit for the period		HK0.9 cent	HK1.0 cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	235,550	227,449
Right-of-use assets		13,317	13,526
Deferred tax assets		1,169	1,033
Non-current prepayments		720	3,036
Total non-current assets		250,756	245,044
CURRENT ASSETS			
Inventories		28,699	30,640
Trade and bills receivables	9	30,184	15,523
Prepayments, deposits and other receivables		1,178	1,962
Pledged deposits		—	150
Cash and cash equivalents		86,142	102,523
Total current assets		146,203	150,798
CURRENT LIABILITIES			
Trade and bills payables	10	4,603	3,789
Other payables and accruals		19,773	19,985
Interest-bearing bank and other borrowings	11	255	12,096
Tax payable		860	—
Deferred income		278	289
Total current liabilities		25,769	36,159
NET CURRENT ASSETS		120,434	114,639
TOTAL ASSETS LESS CURRENT LIABILITIES		371,190	359,683

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	130	258
Deferred tax liabilities		2,234	2,038
Deferred income		5,210	3,739
Total non-current liabilities		7,574	6,035
Net assets		363,616	353,648
EQUITY			
Equity attributable to owners of the parent			
Share capital		9,018	9,018
Equity component of convertible notes	14	271,826	271,826
Reserves		77,871	68,157
		358,715	349,001
Non-controlling interests		4,901	4,647
Total equity		363,616	353,648

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent											
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of convertible notes HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 31 December 2020 (audited)	9,018	617,815	111,196	(900,000)	1,986	271,826	45,979	3,967	187,214	349,001	4,647	353,648
Profit for the period	—	—	—	—	—	—	—	—	12,712	12,712	199	12,911
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	2,954	—	2,954	55	3,009
Total comprehensive income for the period	—	—	—	—	—	—	—	2,954	12,712	15,666	254	15,920
Transfer from retained profits	—	—	—	—	—	—	1,433	—	(1,433)	—	—	—
Dividends paid	—	(5,952)	—	—	—	—	—	—	—	(5,952)	—	(5,952)
At 30 June 2021 (unaudited)	9,018	611,863	111,196	(900,000)	1,986	271,826	47,412	6,921	198,493	358,715	4,901	363,616

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent											
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
						component of convertible notes HK\$'000						
At 31 December 2019 (audited)	9,342	641,155	111,196	(900,000)	1,986	271,826	43,070	(14,580)	150,201	314,196	4,739	318,935
Profit for the period	—	—	—	—	—	—	—	—	13,988	13,988	255	14,243
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(6,850)	—	(6,850)	(91)	(6,941)
Total comprehensive income for the period	—	—	—	—	—	—	—	(6,850)	13,988	7,138	164	7,302
Shares repurchased and cancelled	(324)	—	—	—	—	—	—	—	243	(81)	—	(81)
Transfer from retained profits	—	—	—	—	—	—	1,842	—	(1,842)	—	—	—
Dividends paid	—	(3,337)	—	—	—	—	—	—	—	(3,337)	(453)	(3,790)
At 30 June 2020 (unaudited)	9,018	637,818	111,196	(900,000)	1,986	271,826	44,912	(21,430)	162,590	317,916	4,450	322,366

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		15,547	18,891
Adjustments for:			
Finance costs		82	66
Interest income		(346)	(285)
Loss on disposal of items of property, plant and equipment		12	9
Depreciation of property, plant and equipment	4	9,771	9,857
Depreciation of right-of-use assets	4	367	346
Write-down of inventories to net realisable value	4	354	—
Impairment losses on financial assets	4	720	684
		26,507	29,568
Decrease in inventories		1,546	2,073
(Increase)/decrease in trade and bills receivables		(12,902)	1,248
Decrease in prepayments, deposits and other receivables		271	451
Increase in amounts due from related parties		(3,819)	(1,513)
Increase/(decrease) in trade and bills payables		814	(306)
Decrease in other payables and accruals		(200)	(5,806)
Decrease in an amount due to related parties		(13)	(39)
Increase/(decrease) in deferred income		1,460	(135)
Cash generated from operations		13,664	25,541
Interest element on lease liabilities		(12)	(6)
Withholding tax paid		—	(1,632)
PRC corporate income tax paid		(1,196)	(216)
Net cash flows from operating activities		12,456	23,687

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(12,925)	(4,748)
Proceeds from disposal of items of property, plant and equipment		10	—
Decrease in pledged bank deposits		150	—
Interest received from banks		346	285
Net cash flows used in investing activities		(12,419)	(4,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased and cancelled		—	(81)
New bank loans		—	10,573
Repayment of bank loans		(11,850)	—
Interest paid		(70)	(60)
Dividends paid to owners of the parent		(5,952)	(3,337)
Dividends paid to non-controlling shareholders		—	(410)
Principal portion of lease payments		(123)	(128)
Net cash flows (used in)/from financing activities		(17,995)	6,557
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes, net		1,577	(3,383)
Cash and cash equivalents at beginning of period		102,523	51,698
CASH AND CASH EQUIVALENTS AT END OF PERIOD		86,142	74,096

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	106,587	98,573

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Type of goods		
Sale of industrial products	106,587	98,573
Geographical markets		
Mainland China	94,891	89,832
Africa	3,634	540
America	4,876	5,067
Asia	3,186	3,134
Total revenue from contracts with customers	106,587	98,573
Timing of revenue recognition		
Goods transferred at a point in time	106,587	98,573

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories sold	74,315	61,556
Depreciation of items of property, plant and equipment	9,771	9,857
Depreciation of right-of-use assets	367	346
Research and development costs	5,353	4,873
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	13,202	12,882
Pension scheme contributions	1,484	291
	14,686	13,173
Exchange losses/(gains), net	219	(759)
Write-down of inventories to net realisable value	354	—
Impairment losses on financial assets	720	684

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current – Mainland China	2,576	3,321
Current – Hong Kong	—	1,615
Deferred	60	(288)
	2,636	4,648

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

6. DIVIDENDS

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Final declared and paid – HK0.66 cent (2020: HK0.37 cent) per ordinary share	5,952	3,337
Proposed interim – HK0.14 cent (2020: HK0.23 cent) per ordinary share	1,262	2,074

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

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

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	12,712	13,988

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	901,785,000	901,785,000
Effect of dilution – weighted average number of ordinary shares: Convertible Notes (note 14)	494,228,072	494,228,072
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	1,396,013,072	1,396,013,072

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets with a cost of HK\$15,241,000 (30 June 2020:HK\$4,751,000).

Assets with a net book value of HK\$22,000 were disposed by the Group during the six months ended 30 June 2021 (30 June 2020: HK\$9,000), resulting in a net loss on disposal of HK\$12,000 (30 June 2020: in a net gain in total of HK\$9,000).

During the six months ended 30 June 2021 and 2020, no impairment loss was recognised by the Group.

9. TRADE AND BILLS RECEIVABLES

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 30 days	15,002	8,327
31 to 60 days	9,671	3,077
61 to 90 days	3,514	364
Over 90 days	1,997	3,755
	30,184	15,523

10. 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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 30 days	2,953	2,600
31 to 60 days	726	607
61 to 90 days	579	379
Over 90 days	345	203
	4,603	3,789

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021			31 December 2020		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
Current						
Lease liabilities	4.75%~5.125%	2022	255	4.75%~5.125%	2021	246
Bank loans - secured	—	—	—	PBOC base rate -0.01%	2021	11,850
			255			12,096
Non-current						
Lease liabilities	4.75%~5.125%	2022	130	4.75%~5.125%	2022	258
			385			12,354

Note:

"PBOC" stands for the People's Bank of China (中國人民銀行), the central bank of China.

12. COMMITMENTS

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	2,400	5,048

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

13. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Sales of products to:			
Guangzhou Botny Chemical Co., Ltd. ("Botny Chemical") (廣州保賜利化工有限公司)	(i)	376	1,377
Guangzhou Euro Asia Aerosol and Household Products Manufacture Co., Ltd. ("Euro Asia Aerosol") (廣州歐亞氣霧劑與日化用品製造有限公司)	(i)	11,055	21,097
Total		11,431	22,474
Lease rental expenses charged by:			
Mr. Lin Wan Tsang *	(ii)	33	33

* A director of the Company

(i) Botny Chemical and Euro Asia Aerosol are related companies controlled by the ultimate shareholder of the Company. The sales and purchases between the companies were made on prices and conditions as mutually agreed.

(ii) The lease rental expenses charged by Mr. Lin Wan Tsang were determined based on the underlying contracts as agreed between the Group and Mr. Lin Wan Tsang.

(b) Outstanding balances with related parties:

The Group had an outstanding balance due to its related companies controlled by the ultimate shareholder of the Company amounting to nil (31 December 2020: HK\$13,000) as at the end of the reporting period. The Group had an outstanding balance due from its related companies controlled by the ultimate shareholder of the Company amounting to HK\$5,188,000 (31 December 2020: HK\$1,369,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

13. RELATED PARTY TRANSACTIONS *(continued)*

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Fees	1,433	1,516
Salaries, allowances and benefits in kind	1,291	1,205
Pension scheme contributions	111	46
Total compensation paid to key management personnel	2,835	2,767

14. CONVERTIBLE NOTES

Background

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

The key terms of the Convertible Notes are as follows:

Principal amount: HK\$780,000,000

Interest: the Convertible Notes shall not bear any interest.

Term: A fixed term of five years from the issue. Any principal amount of the Convertible Notes which have not been redeemed or converted by the maturity date will be converted into ordinary shares on the maturity date.

Conversion: The note holder may, at any time during the conversion period, convert the whole or part of the principal amount of the Convertible Notes into ordinary shares at the conversion price.

Redemption: The issuer cannot redeem the Convertible Notes or a part thereof at any time on or before the maturity date.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

14. CONVERTIBLE NOTES *(continued)*

Background *(continued)*

Conversion price: HK\$1.08 per share, subject to adjustments as follows:

Adjustment events: (1) consolidation or subdivision of shares; (2) capitalisation of profits or reserves; (3) capital distribution; (4) an offer of new shares for subscription by way of rights, or a grant of options or warrants to subscribe for new shares, at a price which is less than 90% of the market price per share; (5) issue of shares being made wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for new shares, if, in any case, the total effective consideration per share receivable is less than 90% of the market price, or the conversion, exchange or subscription rights of any such issue are altered, so that the said total effective consideration receivable is less than 90% of such market price; and (6) issue of shares being made wholly for cash or for an acquisition of assets at a price less than 90% of the market price per share.

As the Convertible Notes are not redeemable and carry no interest, they contain no contractual obligation and they will be settled by the exchange of a fixed amount of another financial asset for a fixed number of the Company's own equity instruments. In this case, the Convertible Notes are classified as equity.

Adjustment to the conversion price and the maturity date of the Convertible Notes

On 21 June 2019, the Company completed the distribution of Precious Dragon Technology Holdings Limited and its subsidiaries to its shareholders. Pursuant to the terms of the Convertible Notes, if the Company makes any capital distribution to shareholders, the conversion price of the Convertible Notes in force prior to such capital distribution shall be adjusted. The adjusted conversion price, HK\$0.46 per conversion share, took effect on 15 June 2019.

On 24 March 2020, the Company and Mr. Lin entered into the proposed amendments (the "Amendments") to:

- (i) extend the maturity date of the Convertible Notes for five years from 20 May 2020 to 20 May 2025; and
- (ii) revise upwards the conversion price of the Convertible Notes from HK\$0.46 per Conversion Share to HK\$0.55 per conversion share.

Save for the amendments above, other terms of the Convertible Notes remain unchanged. The Amendments were approved upon passing of the ordinary resolution by the independent shareholders at the annual general meeting on 15 May 2020.

During the period, no conversion shares were converted. As at 30 June 2021, the outstanding principal amount of the Convertible Notes were HK\$271,825,440 and the outstanding Convertible Notes were convertible into 494,228,072 conversion shares based on the new conversion price of HK\$0.55 per conversion share instead of 251,690,222 conversion shares based on the initial conversion price of HK\$1.08 per conversion share.

15. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after 30 June 2021 and up to the date of this report.

OTHER INFORMATION

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

As at 30 June 2021, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

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

Names of Directors	Number of Ordinary Shares		Interests in underlying Shares	Total	Approximate percentage of the issued Shares (Note 2)
	Beneficial owner	Interests in a controlled corporation	Share options (Note 1)		
Mr. Lin Wan Tsang ("Mr. Lin")	392,546,000	268,000,000 (Note 3)	–	660,546,000	73.25%
Mr. Kwok Tak Wang	1,200,000	–	800,000	2,000,000	0.22%

Notes:

- (1) These share options represent the awarded underlying Shares granted to the Directors under a pre-IPO share option scheme of the Company (the "Pre-IPO Share Option Scheme") which was adopted on 20 June 2013. Details of the Pre-IPO Share Option Scheme have been disclosed in the section headed "Pre-IPO Share Option Scheme".
- (2) These percentages have been compiled based on the total number of issued Shares as at 30 June 2021 (i.e. 901,785,000 Shares).
- (3) These Shares are held by Wellmass International Limited ("Wellmass"), which is wholly and beneficially owned by Mr. Lin.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

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

Name of the holder of the convertible notes	Principal amount of the convertible notes	Number of the total underlying Shares	Approximate percentage of the issued Shares (Note 1)
Mr. Lin (Note 2)	271,825,440	494,228,072	54.81%

Notes:

- These percentages have been compiled based on the total number of issued Shares as at 30 June 2021 (i.e. 901,785,000 Shares).
- These convertible notes were issued by the Company on 8 July 2015 as part of the consideration to the acquisition of Topspan Holdings Limited and its subsidiaries on 20 May 2015. They are unlisted, interest-free and convertible into the Shares at the conversion price of HK\$0.55 per Share.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at 30 June 2021, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

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

As at 30 June 2021, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long Positions in the Shares

Name of shareholder	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares (Note 1)
Wellmass (Note 2)	Beneficial owner	268,000,000	29.72%

Notes:

- These percentages have been compiled based on the total number of issued Shares as at 30 June 2021 (i.e. 901,785,000 Shares).
- Wellmass is a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Lin.

OTHER INFORMATION

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

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

Save as disclosed above, as at 30 June 2021, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 June 2021 and up to the date of this report, none of the Directors or any of their respective close associates has engaged in any business that had competed or may compete with the business of the Group and any other conflict of interests which any such person had or might have with the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Pre-IPO Share Option Scheme" below, at no time during the six months ended 30 June 2021 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective close associates nor was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors, or their respective close associates to acquire such rights in any other body corporate.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

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

OTHER INFORMATION

PRE-IPO SHARE OPTION SCHEME

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

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

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

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

OTHER INFORMATION

PRE-IPO SHARE OPTION SCHEME *(Continued)*

Set out below is further information on the outstanding share options granted under the Pre-IPO Share Option Scheme as at 30 June 2021:

Names of the Grantees	Number of share options						Outstanding as at 30 June 2021	Exercise price per Share HK\$	Weighted average closing price of the Shares before the date(s) of which the shares options were exercised HK\$
	Outstanding as at 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2021			
Director									
Kwok Tak Wang	800,000	-	-	-	-	800,000	0.7	-	
Total	800,000	-	-	-	-	800,000			

Save as disclosed, during the six months ended 30 June 2021, no share options were granted, exercised, lapsed and cancelled under the Pre-IPO Share Option Scheme.

SHARE OPTION SCHEME

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

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

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

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme and the total number of securities available for issue under the Share Option Scheme is 40,000,000 Shares, represented approximately 4.44% of the issued Shares as at the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

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

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements matters of the Group for the six months ended 30 June 2021 and recommended its adoption by the Board.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

The Risk Management Committee has reviewed the hedging policies regarding its activities in forward purchases of aluminum ingots and entering into foreign currency forward contracts statements of the Group for the six months ended 30 June 2021 and is of the opinion that the Group has complied with the hedging policy.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2021, except the CG Code provision A.2.1.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules for the six months ended 30 June 2021 and to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. All Directors have confirmed that, following specific enquiries made by the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 June 2021.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK0.14 cent per Share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK0.23 cent per Share) to be payable on or around 27 October 2021 to the shareholders of the Company whose names appear on the register of members of the Company on 8 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2021 to 8 September 2021, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 September 2021.

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