
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in China Aluminum Cans Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA ALUMINUM CANS HOLDINGS LIMITED

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

**CONTINUING CONNECTED TRANSACTION
MASTER SUPPLY AGREEMENT**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 12 of this circular. A letter from Opus Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 24 of this circular.

A notice convening the EGM of China Aluminum Cans Holdings Limited to be held at 2:30 p.m. on Monday, 3 June 2019 at Room Gold, Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you intend to attend the EGM, you are advised to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Annual Cap(s)”	the proposed annual maximum aggregate value for the supply of the Products by the Group to the Precious Dragon Group under the Master Supply Agreement for the period from the Commencement Date to 31 December 2019, and the two years ending 31 December 2020 and 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commencement Date”	the date immediately after the fulfilment of all conditions set out in the Master Supply Agreement
“Company”	China Aluminum Cans Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6898)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened at 2:30 p.m. on Monday, 3 June 2019 for the purpose of considering, and if thought fit, approving the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Group”	the Company and its subsidiaries excluding the Precious Dragon Group
“Guangzhou Euro Asia”	Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited* (廣州歐亞氣霧劑與日化用品製造有限公司), a company established in the PRC with limited liability is indirectly owned as to 70% by the Company and 30% by Mr. Lin as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Aluminum Cans”	Hong Kong Aluminum Cans Limited (香港鋁罐有限公司), a company incorporated in Hong Kong with limited liability on 6 September 2012 and a wholly-owned subsidiary of the Company

* For identification purpose only

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, formed to advise the Independent Shareholders on the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholder(s)”	the Shareholders other than Mr. Lin and his associates
“Latest Practicable Date”	7 May 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 17 April 2019 (after trading hours) entered into between Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) in relation to the supply of the Products by the Group to the Precious Dragon Group upon completion of the Spin-off, and subsequently as amended and supplemented by the Supplemental Agreement (as the case may be)
“Mr. Lin”	Mr. Lin Wan Tsang, an executive Director, the chairman of the Company and the controlling shareholder of the Company
“Precious Dragon”	Precious Dragon Technology Holdings Limited (保寶龍科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2018 and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Precious Dragon Group”	Precious Dragon and its subsidiaries upon completion of the Spin-off

DEFINITIONS

“Precious Dragon Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of Precious Dragon
“Product(s)”	certain monobloc aluminum aerosol cans manufactured by the Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Spin-off”	the spin-off of Precious Dragon by way of distribution and the separate listing of the Precious Dragon Shares on the Main Board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Master Supply Agreement dated 7 May 2019 entered into between Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) to further specify the pricing principles in relation to the Supply of the Products by the Group to the Precious Dragon Group upon completion of the Spin-off
“%”	per cent

LETTER FROM THE BOARD

CHINA ALUMINUM CANS HOLDINGS LIMITED

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

Executive Directors:

Mr. Lin Wan Tsang (Chairman)

Mr. Dong Jiangxiong

Ms. Ko Sau Mee

Mr. Lin Hing Lung

Registered office:

Clifton House, 75 Fort Street,

P.O. Box 1350,

Grand Cayman KY1-1108,

Cayman Islands

Non-executive Director:

Mr. Kwok Tak Wang

Principal place of business in

Hong Kong

Unit G, 20/F., Golden Sun Centre,

Nos. 59/67 Bonham Strand West,

Sheung Wan,

Hong Kong

Independent non-executive Directors:

Dr. Lin Tat Pang

Ms. Guo Yang

Mr. Chung Yi To

Mr. Yip Wai Man Raymond

9 May 2019

To: the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
MASTER SUPPLY AGREEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 17 April 2019 (after trading hours) in relation to the entering into of the Master Supply Agreement between Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) pursuant to which the Group agreed to sell the Products to the Precious Dragon Group upon completion of the Spin-off. In order to further specify the pricing principles under the Master Supply Agreement, on 7 May 2019, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the Supplemental Agreement. Apart from this, other terms of the Master Supply Agreement remain unchanged. The entering into of the Master Supply Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company, and are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further information on the details of the Master Supply Agreement, the transactions contemplated thereunder and the Annual Caps; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

THE MASTER SUPPLY AGREEMENT

1. Background

For the three years ended 31 December 2016, 2017 and 2018, the Group's sale of the Products to the Precious Dragon Group amounted to approximately HK\$15.3 million, HK\$19.4 million and HK\$27.2 million respectively.

Recently, the Company proposed to spin-off and separately list the Precious Dragon Shares on the Main Board of the Stock Exchange. Details of the Spin-off are set out in the announcements of the Company dated 28 September 2018 and 2 April 2019 respectively. Upon completion of the Spin-off, the Company will not retain any equity interest in Precious Dragon. As the Precious Dragon Group will continue to source and purchase the Products from the Group after completion of the Spin-off, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the Master Supply Agreement.

2. Principal Terms of the Master Supply Agreement

The principal terms of the Master Supply Agreement are as follows:

Date: 17 April 2019 (after trading hours)

Parties: Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies); and Precious Dragon (for itself and on behalf of its subsidiaries)

Term: From the Commencement Date to 31 December 2021 (both days inclusive)

Pursuant to the terms of the Master Supply Agreement and subject to the terms and conditions of each relevant purchase order, the Group agreed to sell the Products to the Precious Dragon Group after completion of the Spin-off, during the term of the Master Supply Agreement.

3. Pricing basis

Pursuant to the Master Supply Agreement, the Group and the Precious Dragon Group agreed to enter into separate purchase orders in respect of each purchase of the Products to specify the details of each purchase including but not limited to the types and/or specifications of the Products, quantity, purchase prices, payment terms, date and mode of delivery and other relevant terms in relation to that purchase. The terms of such purchase orders shall be consistent with the terms under the Master Supply Agreement and shall be consistent with the principles of the Master Supply Agreement.

LETTER FROM THE BOARD

The selling price of each and every sale shall be separately determined on order-by-order basis by the parties to the Master Supply Agreement according to the following principles: (i) the selling price shall be determined after arm's length negotiation between the parties to the Master Supply Agreement and shall be in accordance with normal commercial terms and fair and reasonable; (ii) the selling price shall be at prevailing market price; and (iii) the selling price before taking into account the Standardised Adjustments shall be the same as the selling prices offered by the Group to its other independent customers.

The selling prices before taking into account the Standardised Adjustments of the Products are determined on a "cost-plus" basis and with reference to: (i) the expected raw material costs and production costs to be incurred by the Group in producing the Products; and (ii) the expected gross profit margins of the Products which generally range from 21% to 60%, which are subject to standardised adjustments (the "**Standardised Adjustments**") based on order quantity, product specification (such as shape of the Products, printing colors, types of coating and varnish and technology know-how) and delivery plan. The Standardised Adjustments shall be indiscriminately applied to all customers of the Group. The pricing list (the "**Pricing List**"), which would set out the selling prices of all types of the Products before taking into account the Standardised Adjustments also includes information on how the Standardised Adjustments are applied, is first prepared and updated by the finance department of the Company from time to time based on the abovementioned factors (i) and (ii) and then approved by the chairman of the Company from time to time. Each price quotation is provided by salespersons to the Group's customers based on the Pricing List (after taking into account the Standardised Adjustment), such price quotations shall be counter-checked and approved by the finance department of the Company. Given that the Pricing List (after taking into account the Standardised Adjustments) would be consistently applied to the purchase orders received from both the Precious Dragon Group and other independent third party customers of the Group, the selling prices (after taking into account the Standardised Adjustments) offered to the Precious Dragon Group shall be the same as those offered to other independent third party customers of the Group. As such, the Directors (including the independent non-executive Directors) consider that the selling prices (after taking into account the Standardised Adjustments) offered to the Precious Dragon Group will not be less favourable to the Group than those available to independent third party customers.

4. Conditions precedent

The Master Supply Agreement is conditional upon (i) the commencement of dealings in the Precious Dragon Shares on the Stock Exchange; and (ii) the Independent Shareholders' approval having been obtained in accordance with the Listing Rules in respect of the Master Supply Agreement and the transactions contemplated thereunder (where relevant).

5. Termination

Unless otherwise specified in the Master Supply Agreement, either party to the Master Supply Agreement has a right to terminate the Master Supply Agreement by giving the other party a 30-day prior written notice.

6. Historical transaction amounts

For the three years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, the Group's sale of the Products to the Precious Dragon Group amounted to approximately HK\$15.3 million, HK\$19.4 million, HK\$27.2 million and HK\$6.2 million, respectively.

LETTER FROM THE BOARD

7. Annual Caps

The Master Supply Agreement shall be subject to the following Annual Caps:

	Annual Caps (HK\$'000)
During the period from the Commencement Date to 31 December 2019	25,100
For the year ending 31 December 2020	39,200
For the year ending 31 December 2021	47,000

The Annual Caps are determined with reference to a compound annual growth rate (“CAGR”) of approximately 20.0% from the year ended 31 December 2018 to the year ending 31 December 2021, which is lower than the actual CAGR of approximately 33.3% from the year ended 31 December 2016 to the year ended 31 December 2018 (for the avoidance of doubt, the Company has not taken into account the historical transaction amount for the period from January to March 2019 in determining the Annual Caps), in the transaction amounts from the year ended 31 December 2018 to the year ending 31 December 2021 after taking into account, among other things, (i) the expected growth in sales revenue of the manufacturing of aerosol products used in the personal care market in terms of the ex-factory price in China at a CAGR of approximately 11.9% during the period from 2017 to 2022, according to China Insights Industry Consultancy Limited; (ii) the growth in the real gross domestic product of China of 6.7%, 6.8% and 6.6% for 2016, 2017 and 2018, respectively, according to the National Bureau of Statistics of China; and (iii) certain buffer built in to cater for unexpected growth in the future. The Annual Cap for the period from the Commencement Date to 31 December 2019 has been apportioned by eight months with reference to the Group’s historical sales of the Products to the Precious Dragon Group for the period from 1 May 2018 to 31 December 2018 amounted to approximately HK\$20.9 million. The purpose of the apportionment was to replicate the seasonality of product sales for the period from 1 May 2018 to 31 December 2018 to the period from the Commencement Date to 31 December 2019. The calculation provided a buffer of one additional month of sales to cater for any unexpected surge in product sales to the Precious Dragon Group during this particular period. The calculation of the Annual Cap during the period from the Commencement Date to 31 December 2019 as below:

$$A \times (1 + \text{CAGR}) \times \frac{B}{A} = C$$

$$\text{HK\$27.2 million} \times (1 + 20\%) \times \frac{\text{HK\$20.9 million}}{\text{HK\$27.2 million}} = \text{HK\$25.1 million}$$

A: *historical sales of the Products to the Precious Dragon Group for the year ended 31 December 2018*

B: *historical sales of the Products to the Precious Dragon Group for the period from 1 May 2018 to 31 December 2018*

C: *Annual Cap for the period from 1 May 2018 to 31 December 2018*

Based on the above, the Directors are of the view that the assumptions considered in determining the Annual Caps are fair and reasonable.

LETTER FROM THE BOARD

8. Periodic review

The selling prices and payment terms offered to the Group's customers shall be reviewed monthly and updated by the finance department from time to time based on the expected raw material prices, production costs and market conditions, which are then reviewed and approved by the chairman of the Company. This constitutes preventive and detective internal control measures through the segregation of duties of authorising, execution and checking to ensure that selling prices (after taking into account the Standardised Adjustments) are quoted in accordance with the Pricing List (including the Standardised Adjustments).

Moreover, the independent non-executive Directors shall review the transactions contemplated under the Master Supply Agreement every year and confirm, among other things, that they are on normal commercial terms or better which are fair and reasonable.

Furthermore, the auditors of the Company shall report on the same every year and confirm, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the Master Supply Agreement were not, in all material respects, in accordance with the Group's pricing policies and the terms of the Master Supply Agreement.

As such, the Directors consider that sufficient internal control measures are in place to ensure that the pricing mechanism and the transactions contemplated under the Master Supply Agreement shall be conducted on normal commercial terms which are fair and reasonable and no less favourable to the Group than those offered to independent third party customers.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group has established a relatively long business relationship with the Precious Dragon Group as the Precious Dragon Group has been sourcing and purchasing the Products from the Group prior to the Spin-off. The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the entering into of the Master Supply Agreement enables the Group to retain such a long business relationship. As such, the sale of the Products to the Precious Dragon Group from time to time provides the Group with a relatively stable source of income.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Master Supply Agreement and the transactions contemplated thereunder (including Annual Caps) are fair and reasonable, conducted in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND THE PRECIOUS DRAGON GROUP

Information of the Group

Upon completion of the Spin-off, the Group will be primarily engaged in the manufacturing and sale of the Products which are generally used in the packaging of fast-moving personal care as well as pharmaceutical products.

Information of the Precious Dragon Group

Upon completion of the Spin-off, the Precious Dragon Group will be principally engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products, and also personal care products and other products including household products. Guangzhou Euro Asia, an indirect non-wholly owned subsidiary of the Company, owned as to 70% by the Company and 30% by Mr. Lin as at the Latest Practicable Date, has historically been the Precious Dragon Group's main purchaser of the Products from the Group.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Lin an executive Director, the chairman and the controlling shareholder of the Company held 699,154,000 Shares, represent approximately 74.52% of the issued share capital of the Company. Upon completion of the Spin-off, Mr. Lin is also a controlling shareholder of Precious Dragon, and therefore Precious Dragon is a connected person of the Company. Hong Kong Aluminum Cans is a wholly-owned subsidiary of the Company. The entering into of the Master Supply Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As Mr. Lin has a material interest in the Master Supply Agreement and the transactions contemplated thereunder, Mr. Lin and his associates will abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps). Mr. Lin and his associates have also abstained from voting on the relevant Board resolution(s) approving the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

Save and except for the aforesaid, none of the Directors has any material interests in the Master Supply Agreement, and is required to abstain from voting on the resolution(s) to approve, confirm and ratify the same.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules for the Annual Caps exceeds 5%, the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

EGM

A resolution approving the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) shall be proposed at the EGM.

In view of Mr. Lin's interests in the Master Supply Agreement, Mr. Lin and his associates are required to abstain and will abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

A notice convening the EGM to be held at Room Gold, Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong on Monday, 3 June 2019 at 2:30 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for the EGM is enclosed herewith. Whether or not shareholders are able to attend and vote at the EGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent shareholders from subsequently attending and voting at the EGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all four independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, has been appointed to advise the Independent Shareholders in respect of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps). Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular, which contains its advice to the Independent Shareholders, and the letter from Opus Capital set out on pages 13 to 24 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders and the additional information set out in the appendix to this circular.

Yours faithfully,

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

CHINA ALUMINUM CANS HOLDINGS LIMITED
中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

9 May 2019

To: the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION
MASTER SUPPLY AGREEMENT

We refer to the circular of the Company dated 9 May 2019 (the “**Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

We wish to draw your attention to the letter from the Board set out on pages 4 to 11 of the Circular, and the letter from Opus Capital to the Independent Board Committee and the Independent Shareholders set out on pages 13 to 24 of the Circular which contains its opinion in respect of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

Having taken into account the advice of Opus Capital and its recommendation in relation thereto, we consider that the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the notice of the EGM.

Yours faithfully,

Independent Board Committee

Dr. Lin Tat Pang

Ms. Guo Yang

Mr. Chung Yi To

**Mr. Yip Wai
Man Raymond**

Independent Non-executive Directors

LETTER FROM OPUS CAPITAL

Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

9 May 2019

*To: The Independent Board Committee and the Independent Shareholders
of China Aluminum Cans Holdings Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION MASTER SUPPLY AGREEMENT

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Master Supply Agreement (including the Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 9 May 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

MASTER SUPPLY AGREEMENT

As stated in the Letter from the Board, on 17 April 2019 (after trading hours), Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the Master Supply Agreement pursuant to which the Group agreed to sell the Products to the Precious Dragon Group upon completion of the Spin-off. In order to further specify the pricing principles under the Master Supply Agreement, on 7 May 2019, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the Supplemental Agreement. Apart from this, other terms of the Master Supply Agreement remain unchanged. The parties to the Master Supply Agreement agreed to enter into separate purchase orders in respect of each purchase, including but not limited to the types and/or specifications of the Products, quantity, purchase prices, payment terms, date and mode of delivery and other relevant terms in relation to the purchase. The terms of such purchase orders shall be consistent with the principles of the Master Supply Agreement.

LETTER FROM OPUS CAPITAL

As at the Latest Practicable Date, Mr. Lin, an executive Director, the chairman and the controlling shareholder of the Company, held 699,154,000 Shares, representing approximately 74.52% of the issued share capital of the Company. Upon completion of the Spin-off, Mr. Lin is also a controlling shareholder of Precious Dragon, and therefore Precious Dragon is a connected person of the Company. Hong Kong Aluminum Cans is a wholly-owned subsidiary of the Company. The entering into of the Master Supply Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules for the Annual Caps exceeds 5%, the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lin has a material interest in the Master Supply Agreement and the transactions contemplated thereunder, Mr. Lin and his associates will abstain from voting on the relevant resolution to be proposed at the EGM to approve the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps). Mr. Lin and his associates have also abstained from voting on the relevant Board resolution(s) approving the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

Save and except for the aforesaid, none of the Directors has any material interests in the Master Supply Agreement, and is required to abstain from voting on the Board resolution to approve, confirm and ratify the same.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the transactions contemplated under the Master Supply Agreement and the Annual Caps. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the entering into of the Master Supply Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Master Supply Agreement (including the Annual Caps) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote on the relevant resolution at the EGM.

LETTER FROM OPUS CAPITAL

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Group, Precious Dragon or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**");
- (ii) the application proof of Precious Dragon published on the Stock Exchange on 3 April 2019 (the "**Precious Dragon AP**");
- (iii) the Master Supply Agreement; and
- (iv) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent

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verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implication on the Group as a result of the Master Supply Agreement.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the transactions contemplated under the Master Supply Agreement (including the Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the transactions contemplated under the Master Supply Agreement (including the Annual Caps), we have taken into consideration the following principal factors and reasons:

1. Information of the Group

Upon completion of the Spin-off, the Group will be principally engaged in the manufacturing and sale of the Products which are generally used in the packaging of fast-moving personal care as well as pharmaceutical products.

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 millimetres (“**mm**”) to 66 mm and heights from 58 mm to 240 mm with various features and shapes for its customers’ selection.

2. Information of the Precious Dragon Group

Upon completion of the Spin-off, the Precious Dragon Group will be principally engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products, and also personal care products and other products including household products.

According to the Precious Dragon AP, Precious Dragon is a leading automotive beauty and maintenance aerosol products manufacturer in China. According to the industry report enclosed in the Precious Dragon AP (the “**CIC Report**”) as prepared by China Insights Industry Consultancy Limited, a China-based investment and financing consulting firm engaged by Precious Dragon to conduct industry research on its business, as commissioned by the Precious Dragon Group, in 2017, Precious Dragon ranked first in the manufacturing of aerosol products used in the automotive beauty and maintenance market in China in terms of revenue, with a market share of approximately 15.4%. Its sales volume of aerosol products constituted approximately 20% of the total sales volume of products used in the automotive beauty and maintenance market in China in 2017.

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The automotive beauty and maintenance products include auto cleaning and maintenance products (such as auto interior decoration cleaning products, tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners. The personal care products include, among others, foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash, whilst other products include household products (such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools.

Guangzhou Euro Asia, an indirect non-wholly owned subsidiary of the Company, owned as to 70% by the Company and 30% by Mr. Lin as at the Latest Practicable Date, has historically been the Precious Dragon Group's main purchasing entity of the Products from the Group.

3. Reasons for and Benefits of the Continuing Connected Transaction

As stated in the Letter from the Board, the Group has established a relatively long business relationship with the Precious Dragon Group as the Precious Dragon Group has been sourcing and purchasing the Products from the Group prior to the Spin-off. The Directors (including the independent non-executive Directors after taking into account our advice) are of the view that the entering into of the Master Supply Agreement enables the Group to retain such a long business relationship. As such, the sale of the Products to the Precious Dragon Group from time to time provides the Group with a relatively stable source of income.

As set out in the 2018 Annual Report, the Group has been facing severe competition in the aluminum aerosol cans market, especially from the increase in competition from small-sized aerosol cans manufacturers in China, the soft landing of growth in the consumable products and domestic demands in high-end personal care products in China. We note that the entering into of the Master Supply Agreement would strengthen the Group's ability to cope with such competitive market environment and would have the added benefit of securing the Group a stable source of income from a leading Chinese manufacturer of aerosol products used in the Chinese automotive beauty and maintenance industries.

Taking into account the above and having considered in particular that:

- (i) the principal business and business prospects of the Group;
- (ii) the leading industry position of the Precious Dragon Group;
- (iii) the long business relationship between the Group and the Precious Dragon Group; and
- (iv) the reasons for and benefits of the Master Supply Agreement as mentioned above,

we concur with the Directors' views that the terms of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are conducted in the ordinary and usual course of business of the Group.

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4. Principal Terms of the Master Supply Agreement

A summary of the principal terms of the Master Supply Agreement is set out below:

- Date:** 17 April 2019 (after trading hours)
- Parties:**
- (i) Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies); and
 - (ii) Precious Dragon (for itself and on behalf of its subsidiaries)
- Term:** From the Commencement Date to 31 December 2021 (both days inclusive)
- Subject matter:** Subject to the terms and conditions of each relevant purchase order, the Group will sell the Products to the Precious Dragon Group after completion of the Spin-off, during the term of the Master Supply Agreement.
- Pricing basis:**
- The Group and the Precious Dragon Group agreed to enter into separate purchase orders in respect of each purchase of the Products to specify the details of each purchase, including but not limited to the types and/or specifications of the Products, quantity, purchase prices, payment terms, date and mode of delivery and other relevant terms in relation to that purchase. The terms of such purchase orders shall be consistent with the terms under the Master Supply Agreement and shall be consistent with the principles of the Master Supply Agreement.
- The selling price (after taking into account the Standardised Adjustments) of each and every purchase shall be separately determined on order-by-order basis by the parties to the Master Supply Agreement according to the following principles:
- (i) the selling price (after taking into account the Standardised Adjustments) shall be determined after arm's length negotiation between the parties to the Master Supply Agreement and shall be in accordance with normal commercial terms and fair and reasonable;
 - (ii) the selling price (before taking into account the Standardised Adjustments) shall be at prevailing market price; and
 - (iii) the selling prices (before taking into account the Standardised Adjustments) shall be the same as those offered by the Group to its other independent customers.

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- Conditions precedent:**
- (i) the commencement of dealings in the Precious Dragon Shares on the Stock Exchange; and
 - (ii) the Independent Shareholders' approval having been obtained in accordance with the Listing Rules in respect of the Master Supply Agreement and the transactions contemplated thereunder (where relevant).

Termination: Unless otherwise specified in the Master Supply Agreement, either party to the Master Supply Agreement has a right to terminate the Master Supply Agreement by giving the other party a 30-day prior written notice.

As stated in the Letter from the Board, the selling prices (before taking into account the Standardised Adjustments) of the Products are determined on a "cost-plus" basis and with reference to: (i) the expected raw material costs and production costs to be incurred by the Group in producing the Products; and (ii) the expected gross profit margins of the Products which generally range from 21% to 60%, which are subject to the Standardised Adjustments based on order quantity, product specification (such as shape of the Products, printing colors, types of coating and varnish and technology know-how) and delivery plan. The Standardised Adjustments shall be indiscriminately applied to all customers of the Group. The pricing list (the "**Pricing List**"), which would set out the selling prices (before taking into account the Standardised Adjustments) of all types of the Products, also includes information on how the Standardised Adjustments are applied, is first prepared, monthly reviewed and updated by the finance department of the Company from time to time based on the abovementioned factors (i) and (ii) and then approved by the chairman of the Company from time to time. Each price quotation is provided by salespersons to the Group's customers based on the Pricing List (after taking into account the Standardised Adjustments), such price quotations shall be counter-checked and approved by the finance department of the Company. Given that the Pricing List (after taking into account the Standardised Adjustments) would be consistently applied to the purchase orders received from both the Precious Dragon Group and other independent third party customers of the Group, the selling prices (after taking into account the Standardised Adjustments) offered to the Precious Dragon Group shall be the same as those offered to other independent third party customers of the Group. As such, the Directors (including the independent non-executive Directors) consider that the selling prices (after taking into account the Standardised Adjustments) offered to the Precious Dragon Group will be no less favourable to the Group than those available to independent third party customers.

We have reviewed: (i) the Master Supply Agreement; (ii) 5 samples of purchase orders of the Products provided by the Group to the Precious Dragon Group and 5 samples of purchase orders of the Products provided by the Group to independent third party customers in 2019 (the "**Purchase Order Samples**"); (iii) the Pricing List adopted by the Group effective at the relevant time when the Purchase Order Samples were executed; and (iv) 1 internal meeting record of approving the update of the Pricing List dated 14 January 2019 (the "**Pricing List Approval Sample**").

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As shown in the Purchase Order Samples, although the Products can be sold to either independent third party customers or the Precious Dragon Group, we note that the selling prices (before taking into account the Standardised Adjustments) of the Products offered by the Group to the Precious Dragon Group and independent third party customers were referred to the same Pricing List effective at the relevant time. As the Group has been conducting transactions at the selling prices (before taking into account the Standardised Adjustments) of the Products to the Precious Dragon Group and independent third party customers by referring to the same Pricing List, this ensures that the selling prices (before taking into account the Standardised Adjustments) of the Products offered by the Group to the Precious Dragon Group would be no less favourable to the Group than those offered to independent third party customers.

We note the evidence from the Pricing List Approval Sample on how market conditions shape the determination of the selling prices (before taking into account the Standardised Adjustments) of the Products. According to the Pricing List Approval Sample, the Pricing List was updated due to the decrease in the purchase cost of aluminium and the increase in the production capability of competitors. Representatives from both of the sales department and finance department of the Company attended the meeting and the update of the Pricing List was approved by the chairman of the Company before it became effective. As discussed with the Management, we understand that, according to the prospectus of the Company dated 28 June 2013, the Group was the largest manufacturer of aluminum aerosol cans in China, in terms of production volume, for three continuous years from 2010 to 2012, with the market share above 30% in the PRC. According to AlCircle, an information and business portal for the global aluminum industry that covers the whole eco-system and value chain of aluminum, the Group was one of the top five aluminum aerosol can manufacturers worldwide in 2016. As explained by the Management, the Group continues to hold its leading spot currently and remains one of the largest manufacturers of aluminum aerosol cans in China. Thus, the Management considers and we tend to agree that the Group's determination of the selling prices (before taking into account the Standardised Adjustments) of the Products and updating the Pricing List effectively shapes the prevailing market prices of the Products. As such, it ensures that the Pricing List is in line with the prevailing market price from time to time.

Based on the above, and in particular, (i) both parties shall, for each and every purchase, conclude a purchase order and the terms of such purchase orders shall be consistent with the terms under the Master Supply Agreement; (ii) the established pricing principles as set out above, which applies to both the Precious Dragon Group and independent third party customers; (iii) the Company's internal control measures to be discussed below; and (iv) our review of the Pricing List, the Purchase Order Samples and the Pricing List Approval Sample, we consider the pricing and other principal terms of the Master Supply Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

5. Internal control procedures

To ensure the Company's conformity with the above pricing policy in relation to the transactions contemplated under the Master Supply Agreement, the Company has adopted and will continue to strengthen a series of internal control procedures for its daily operation.

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The Company has formulated relevant administrative measures on connected transactions, in accordance with supervisory requirements of the Stock Exchange in respect of continuing connected transactions and with reference to the actual situation of the Company, which implements strict regulation from aspects of identification of connected transactions, procedures of review and approval, execution, regular reporting, supervision and management and related information disclosure.

To ensure the transactions contemplated under the Master Supply Agreement being in compliance with the pricing policy thereunder, especially when the relevant selling price is determined on the basis of prevailing market price, the Group has adopted the procedures as follows:

- a) The connected transaction officer is responsible for: (i) collecting the signed agreements of each purchase order under the Master Supply Agreement which contain detailed data in respect of the above-mentioned continuing connected transactions, including but not limited to the types and/or specifications of the products, quantity, purchase prices, payment terms, date and mode of delivery; and (ii) reporting the actual transaction amount on a monthly basis to the chief financial officer;
- b) The connected transaction officer shall assist in monitoring the major transaction terms, pricing and other terms specified in the individual purchase orders. If there is any change to the major terms of such continuing connected transactions, he shall report to the chief financial officer for any change;
- c) The finance and accounts department of the corporate head office of the Company is responsible for monitoring the above-mentioned continuing connected transactions entered into by the Group;
- d) The Board is responsible for approving the aforementioned continuing connected transaction, inspecting and supervising the control on connected transactions of the Company, as well as the execution of control system of connected transactions by the Directors, senior management and connected persons of the Company; and
- e) The independent non-executive Directors will review the continuing connected transactions contemplated under the Master Supply Agreement to ensure that such agreement is entered into on normal commercial terms, is fair and reasonable, and are carried out pursuant to the terms of such agreement. The auditors of the Company would also conduct an annual review on the pricing terms and Annual Caps of such continuing connected transactions.

We understand that the Group has implemented internal approval procedures through an internal approval system. The sales department of the Company will first communicate with the potential customers to obtain the information of the types and/or specifications of the Products, quantity, date and mode of delivery for a potential purchase order. The finance department of the Company will provide the latest Pricing List for the sales department of the Company to provide a fee quotation to the potential customers. If the terms are approved by the finance department of the Company, the chairman of the Company will grant the final approval.

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Having regard to the abovementioned procedures, we note that different departments and levels of management of the Group will participate in the review and approval of the individual purchase orders under the Master Supply Agreement to ensure the terms of such purchase orders shall be consistent with the principles of the Master Supply Agreement.

We have carried out a sample review of the monthly reports of continuing connected transactions for the periods from: (i) January to October 2018; and (ii) January to March 2019, as well as the compliance manual adopted by the Company. We have also performed a walk-through of the internal control measures with the Management regarding the transactions performed under the abovementioned individual purchase order and sample-checked the Company's internal approval records.

We are of the view that the effectiveness of the Company's internal control measures is evidenced through our satisfactory walk-through of the transactions, sample check of the Company's internal approval records and sample review of monthly reports of continuing connected transactions. Based on the above, we concur with the views of the Directors that the internal control measures will ensure the continuing connected transactions to be conducted on normal commercial terms, are fair and reasonable as far as the Independent Shareholders are concerned.

6. Annual Caps

Set out below are the Annual Caps for the period from the Commencement Date to 31 December 2019 and the two years ending 31 December 2020 and 2021:

	Annual Caps (HK\$'000)
During the period from the Commencement Date to 31 December 2019	25,100
For the year ending 31 December 2020	39,200
For the year ending 31 December 2021	47,000

As stated in the Letter from the Board, the Annual Caps are determined with reference to a compound annual growth rate ("CAGR") of approximately 20.0% from the year ended 31 December 2018 to the year ending 31 December 2021, which is lower than the actual CAGR of approximately 33.3% from the year ended 31 December 2016 to the year ended 31 December 2018, in the transaction amounts from the year ended 31 December 2018 to the year ending 31 December 2021 after taking into account, among other things, (i) the expected growth in sales revenue of the manufacturing of aerosol products used in the personal care market in terms of the ex-factory price in China at a CAGR of approximately 11.9% during the period from 2017 to 2022, according to the CIC Report as set out in the Precious Dragon AP; (ii) the growth in the real gross domestic product of China of 6.7%, 6.8% and 6.6% for 2016, 2017 and 2018, respectively, according to the National Bureau of Statistics of China; and (iii) certain buffer built in to cater for unexpected growth in the future. The Annual Cap for the period from the Commencement Date to 31 December 2019 has been apportioned by eight months with reference to the Group's historical sales of the Products to the Precious Dragon Group for the period from 1 May 2018 to 31 December 2018 amounted to approximately HK\$20.9 million. The purpose of the apportionment, as explained in the Letter from the Board, was to replicate the

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seasonality of product sales for the period from 1 May 2018 to 31 December 2018 to the period from the Commencement Date to 31 December 2019. The calculation provided for a buffer of one additional month of sales to cater for any unexpected surge in product sales to the Precious Dragon Group during this particular period. The calculation of the Annual Cap during the period from the Commencement Date to 31 December 2019 as below:

$$A \times (1 + \text{CAGR}) \times \frac{B}{A} = C$$

$$\text{HK\$27.2 million} \times (1 + 20\%) \times \frac{(\text{HK\$20.9 million})}{(\text{HK\$27.2 million})} = \text{HK\$25.1 million}$$

where:

- A: historical sales of the Products to the Precious Dragon Group for the year ended 31 December 2018
- B: historical sales of the Products to the Precious Dragon Group for the period from 1 May 2018 to 31 December 2018
- C: Annual Cap for the period from 1 May 2018 to 31 December 2018

The result of the computation coincides with the Annual Cap for the period from the Commencement Date to 31 December 2019 of HK\$25.1 million.

As per our enquiry with the Management, the Annual Caps for the period from the Commencement Date to 31 December 2019 and the two years ending 31 December 2020 and 2021 are expected to grow at a CAGR of 20.0%, which represents a reduction from 33.3% as evidenced during three years ended 31 December 2016, 2017 and 2018, are based on, among others, (i) since the sale of the Products by the Group to the Precious Dragon Group were used for its manufacture of personal care products, the Management have considered the total sales revenue of manufacturing of aerosol products in China used in the personal care market in terms of ex-factory price is expected to continue increasing with a CAGR of approximately 11.9% between 2017 and 2022 (the “**Industry Growth Rate**”), according to the CIC Report; (ii) according to the National Bureau of Statistics of China, real gross domestic product (“**GDP**”) in China grew at 6.7%, 6.8% and 6.6% for 2016, 2017 and 2018, respectively; and (iii) a buffer built in to cater for the unexpected growth in the future which represents the difference between the estimated CAGR of 20% and aforesaid industry and GDP growth rates. In our view, China GDP growth can indirectly influence the growth of total sales revenue of manufacturing of aerosol products in China used in the personal care market, therefore we should only be concerned about the buffer between the estimated CAGR of 20% and the Industry Growth Rate of approximately 8.1%. Though slightly conservative, the upper single-digit percentage buffer is fairly standard for different continuing connected transactions conducted in the Hong Kong market and we consider the percentage buffer fair and reasonable.

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As the Annual Caps have taken into account, among other things, both the historical sale amount of the Products and the Precious Dragon Group's anticipated demand for the Products over the next three years, we are of the view that the bases used by the Company in determining the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taking into account the above principal factors and reasons, we considered that:

- (i) the entering into of the Master Supply Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and
- (ii) the terms of the Master Supply Agreement (including the Annual Caps) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Master Supply Agreement (including the Annual Caps).

Yours faithfully,
For and on behalf of
Opus Capital Limited

Koh Kwai Yim
Executive Director

Cheung On Kit Andrew
Director

Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 17 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

Mr. Cheung On Kit Andrew is a Director of Opus Capital and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 10 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the 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 SFO) held by the Directors and chief executive of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under 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 Companies adopted by the Company (the “**Model Code**”) were 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*

Name of Director	Number of Shares			Interests in underlying Shares	Total	Approximate percentage of the issued Shares (Note 2)
	Beneficial owner	Interest of family	Interest in a controlled corporation	Share option (Note 1)		
Mr. Lin	431,154,000	—	268,000,000 (Note 4)	—	699,154,000	74.52%
Ms. Ko Sau Mee (“Mrs. Lin”)	—	431,154,000 (Note 3)	268,000,000 (Note 4)	—	699,154,000	74.52%
Mr. Kwok Tak Wang	1,200,000	—	—	800,000	2,000,000	0.21%

Notes:

1. These represents the awarded underlying Shares granted to the Directors under a pre-IPO share option scheme of the Company which was adopted on 20 June 2013.
2. These percentages had been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 938,179,000 Shares).
3. These Shares are held by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin by virtue of the SFO.

4. These Shares are held by Wellmass International Limited (“**Wellmass**”), which is wholly and beneficially owned by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin (through Wellmass) by virtue of the SFO.

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

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

Notes:

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

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at the Latest Practicable Date, 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.

(b) Substantial Shareholder

As at the Latest Practicable Date, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company 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:

Long positions in the Shares

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

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position 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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

4. COMPETING INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

6. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors (i) had any direct or indirect interest in any assets which had been, since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. EXPERTS AND CONSENTS

The following are the qualification of the expert who has been named in this circular or has given opinion or advice which is contained in this circular:

Name	Qualification
Opus Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Opus Capital:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2018 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

8. GENERAL

- (a) The registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is Unit G, 20/F., Golden Sun Centre, Nos. 59/67 Bonham Strand West, Sheung Wan, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited.
- (d) The principal share registrar and transfer office of the Company is Estera Trust (Cayman) Limited.
- (e) The company secretary of the Company is Ms. Ho Wing Yan.
- (f) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Unit G, 20/F., Golden Sun Centre, Nos. 59/67 Bonham Strand West, Sheung Wan, Hong Kong during 9:00 a.m. to 5:30 p.m. on any business day in Hong Kong, from the date of this circular for a period of 14 days:

- (a) the Master Supply Agreement; and
- (b) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

CHINA ALUMINUM CANS HOLDINGS LIMITED

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Aluminum Cans Holdings Limited (the “**Company**”) will be held at 2:30 p.m. on Monday, 3 June 2019 at Room Gold, Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “THAT:

- (a) the Master Supply Agreement (as defined and described in the circular to the shareholders of the Company dated 9 May 2019 (the “**Circular**”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the annual caps of the transactions contemplated under the Master Supply Agreement as described in the Circular be and are hereby approved, ratified and confirmed; and
- (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Master Supply Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Master Supply Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

Yours faithfully,

By Order of the Board

China Aluminum Cans Holdings Limited

中國鋁罐控股有限公司

Lin Wan Tsang

Chairman and executive Director

Hong Kong, 9 May 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person at his/ her/its proxy to attend and vote in his/her/its stead in accordance with the bye-laws of the Company. A proxy needs not be a member of the Company.
2. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. The register of members of the Company will be closed from Tuesday, 28 May 2019 to Monday, 3 June 2019, both days inclusive, during which period no transfers of shares shall be registered. The holder of shares whose name appears on the register of members of the Company on Monday, 3 June 2019 will be entitled to attend and vote at the EGM. In order to qualify for attending and voting at the forthcoming EGM, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2019.

As at the date of this notice, the executive directors are Mr. Lin Wan Tsang, Mr. Dong Jiangxiong, Ms. Ko Sau Mee and Mr. Lin Hing Lung; the non-executive director is Mr. Kwok Tak Wang; and the independent non-executive directors are Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond.