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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Aluminum Cans Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021. These results have been reviewed by Ernst & Young, the external auditor of the Group, and the audit committee of the Company (the “Audit Committee”).

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

For the six months ended 30 June 2022

| | Notes | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
|--|-------|---------------------------------|---------------------------------|
| REVENUE | 3 | 112,731 | 106,587 |
| Cost of sales | | (83,023) | (74,315) |
| Gross profit | | 29,708 | 32,272 |
| Other income and gains | | 5,475 | 4,897 |
| Selling and distribution expenses | | (3,407) | (4,147) |
| Administrative expenses | | (9,599) | (10,006) |
| Research and development expenses | | (5,809) | (5,353) |
| Impairment losses on financial assets | | (776) | (720) |
| Other expenses | | (882) | (1,314) |
| Finance costs | | (18) | (82) |
| PROFIT BEFORE TAX | 4 | 14,692 | 15,547 |
| Income tax expenses | 5 | (1,345) | (2,636) |
| PROFIT FOR THE PERIOD | | <u>13,347</u> | <u>12,911</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | (17,357) | 3,009 |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD | | <u>(4,010)</u> | <u>15,920</u> |

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

For the six months ended 30 June 2022

| | Notes | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
|---|-------|---------------------------------|---------------------------------|
| Profit attributable to: | | | |
| Owners of the parent | | 13,123 | 12,712 |
| Non-controlling interests | | 224 | 199 |
| | | <u>13,347</u> | <u>12,911</u> |
| Total comprehensive (loss)/income attributable to: | | | |
| Owners of the parent | | (3,992) | 15,666 |
| Non-controlling interests | | (18) | 254 |
| | | <u>(4,010)</u> | <u>15,920</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic | 7 | | |
| – For profit for the period | | <u>HK1.5 cents</u> | <u>HK1.4 cents</u> |
| Diluted | | | |
| – For profit for the period | | <u>HK1.0 cent</u> | <u>HK0.9 cent</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

| | Notes | 30 June 2022 | 31 December 2021 |
|--|-------|-------------------------|---------------------|
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 220,428 | 237,472 |
| Right-of-use assets | | 12,243 | 13,205 |
| Deferred tax assets | | 2,044 | 2,030 |
| Non-current prepayments | | 789 | 754 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 235,504 | 253,461 |
| CURRENT ASSETS | | | |
| Inventories | | 30,483 | 32,610 |
| Trade and bills receivables | 8 | 36,728 | 21,644 |
| Prepayments, deposits and other receivables | | 1,277 | 1,812 |
| Cash and cash equivalents | | 97,173 | 95,377 |
| | | <hr/> | <hr/> |
| Total current assets | | 165,661 | 151,443 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 9 | 5,428 | 3,579 |
| Other payables and accruals | | 17,609 | 17,159 |
| Interest-bearing bank and other borrowings | | 129 | 265 |
| Tax payable | | 1,152 | 40 |
| Deferred income | | 270 | 283 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 24,588 | 21,326 |
| NET CURRENT ASSETS | | <hr/> 141,073 | <hr/> 130,117 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> 376,577 | <hr/> 383,578 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

| | 30 June | 31 December |
|--|--------------------|-------------|
| | 2022 | 2021 |
| Notes | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank and other borrowings | 250 | 282 |
| Deferred tax liabilities | 2,577 | 2,356 |
| Deferred income | 4,786 | 5,171 |
| | 7,613 | 7,809 |
| Total non-current liabilities | 7,613 | 7,809 |
| Net assets | 368,964 | 375,769 |
| EQUITY | | |
| Equity attributable to owners of the parent | | |
| Share capital | 9,018 | 9,018 |
| Equity component of convertible notes | 271,826 | 271,826 |
| Reserves | 83,016 | 89,803 |
| | 363,860 | 370,647 |
| Non-controlling interests | 5,104 | 5,122 |
| Total equity | 368,964 | 375,769 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 2021, 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 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts - Cost of Fulfilling a Contract |
| Annual Improvements to IFRSs 2018-2020 | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to *IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. REVENUE

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| <i>Revenue from contracts with customers</i> | | |
| Sale of goods | <u>112,731</u> | <u>106,587</u> |

Disaggregated revenue information for revenue from contracts with customers

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Type of goods | | |
| Sale of industrial products | <u>112,731</u> | <u>106,587</u> |
| Geographical markets | | |
| Mainland China | 101,378 | 94,891 |
| Africa | 338 | 3,634 |
| America | 2,994 | 4,876 |
| Asia | 2,075 | 3,186 |
| Europe | 5,946 | — |
| Total revenue from contracts with customers | <u>112,731</u> | <u>106,587</u> |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | <u>112,731</u> | <u>106,587</u> |

4. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of inventories sold | 83,023 | 74,315 |
| Depreciation of items of property, plant and equipment | 9,877 | 9,771 |
| Depreciation of right-of-use assets | 356 | 367 |
| Research and development costs | 5,809 | 5,353 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries | 13,857 | 13,202 |
| Pension scheme contributions | 1,233 | 1,484 |
| | <u>15,090</u> | <u>14,686</u> |
| Exchange (gains)/losses, net | (565) | 219 |
| Write-down of inventories to net realisable value | 96 | 354 |
| Impairment losses on financial assets | 776 | 720 |
| | <u>776</u> | <u>720</u> |

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 | |
|--------------------------|-------------------------------------|--------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current – Mainland China | 1,111 | 2,576 |
| Deferred | 234 | 60 |
| | <u>1,345</u> | <u>2,636</u> |

6. DIVIDENDS

| | For the six months ended 30 June | |
|--|---|--------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Proposed interim – HK0.29 cent (2021: HK0.14 cent) per ordinary share | <u>2,615</u> | <u>1,262</u> |

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 | |
|--|---|----------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations | <u>13,123</u> | <u>12,712</u> |
| | | |
| | Number of shares | |
| 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 | <u>494,228,072</u> | <u>494,228,072</u> |
| Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation | <u>1,396,013,072</u> | <u>1,396,013,072</u> |

8. 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 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 14,271 | 10,587 |
| 31 to 60 days | 11,940 | 6,386 |
| 61 to 90 days | 2,473 | 3,012 |
| Over 90 days* | 8,044 | 1,659 |
| | <u>36,728</u> | <u>21,644</u> |

* The outstanding balance of trade and bills receivables included the amount due from its related companies controlled by the ultimate shareholder of the Company of HK\$6,510,000 (31 December 2021:HK\$705,000) as at the end of the reporting period.

9. TRADE AND BILLS PAYABLES

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

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 3,550 | 2,315 |
| 31 to 60 days | 975 | 317 |
| 61 to 90 days | 456 | 549 |
| Over 90 days | 447 | 398 |
| | <u>5,428</u> | <u>3,579</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is 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 2022, revenue derived from the sale of aluminum aerosol cans was approximately HK\$112.7 million (six months ended 30 June 2021: approximately HK\$106.6 million). The Group's revenue for the six months ended 30 June 2022 recorded an increase of approximately 5.8% as compared to the corresponding period. The increase in revenue was primarily due to enhance and implement more effective marketing strategies to drive the increase in sales of large sized aerosol cans which was partially offset by the negative impacts on sales caused by the short term locked-down in various provinces of the People's Republic of China ("PRC") in the first half of 2022.

OPERATING ENVIRONMENT AND PROSPECTS

As the global economy is continuously shrouded in the shadow of various difficulties, like, trade protectionism, outbreak of pneumonia caused by novel coronavirus ("COVID-19") and its variants, supply chain crisis and raw material prices in uncertainty and volatility, there are high uncertainties and rapid changes in global economic development. The Group continues to face (i) severe world-wide competition in the aluminum aerosol cans markets, especially from the increase in competition from small-sized overseas aerosol can manufacturers; and (ii) the slowdown of growth in the consumable products and domestic demands in PRC.

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

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2022, the Group's aluminum aerosol cans segment recorded a turnover of approximately HK\$112.7 million (six months ended 30 June 2021: approximately HK\$106.6 million), representing an increase of approximately 5.8% as compared to the corresponding period of 2021. The number of aluminum aerosol cans sold by the Group for the six months ended 30 June 2022 was approximately 55.6 million (six months ended 30 June 2021: approximately 57.9 million). The increase in revenue was primarily due to enhance and implement more effective marketing strategies to drive the increase in sales of large sized aerosol cans which was partially offset by the negative impacts on sales caused by the short term locked-down in various provinces of PRC in the first half of 2022.

PRC and overseas customers

The Group focused on PRC market, which the revenue from the PRC market amounted to approximately 89.9% for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately 89.0%). For the six months ended 30 June 2022, the PRC customers and overseas customers contributed approximately HK\$101.3 million (six months ended 30 June 2021: approximately HK\$94.9 million) and HK\$11.4 million (six months ended 30 June 2021: approximately HK\$11.7 million) to the total revenue of the Group. There was an increase of approximately 6.8% in sales from PRC customers which was mainly due to enhance and implement more effective marketing strategies to drive the increase in sales of large sized aerosol cans which was partially offset by the negative impacts on sales caused by the short term locked-down in various provinces of PRC in the first half of 2022. There was a slightly decrease of approximately 2.9% in sales from the overseas customers which was mainly due to unstable supply chain in PRC, which drove portions of overseas customers shifted the orders to overseas competitors.

Cost of Sales

For the six months ended 30 June 2022, cost of sales of the Group amounted to approximately HK\$83.0 million (six months ended 30 June 2021: approximately HK\$74.3 million), which represented approximately 73.6% (six months ended 30 June 2021: approximately 69.7%) of the turnover. There was an increase of approximately 11.7% in cost of sales which was mainly attributable to the increase in raw material prices, especially, aluminum ingots compared to corresponding period of 2021.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK\$29.7 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$32.3 million), representing a decrease of approximately 7.9% as compared to the corresponding. The decrease in gross profit was mainly driven by the increase in raw material prices which was partially offset by the increase in sales driven by the implementation of more effective marketing strategies. As a result, the gross profit margin decreased from approximately 30.3% for the six months ended 30 June 2021 to approximately 26.4% for the six months ended 30 June 2022.

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 2022, other income and gains of the Group was approximately HK\$5.5 million (six months ended 30 June 2021: approximately HK\$4.9 million), representing an increase of approximately 11.8% which was due to the net effects of (i) the increase in sale of scrap material income; (ii) the increase in exchange gains; (iii) the decrease in income of R&D design; and (iv) the increase in government grants.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel and entertainment expenses, and advertisement and promotion costs. For the six months ended 30 June 2022, selling and distribution expenses were approximately HK\$3.4 million (six months ended 30 June 2021: approximately HK\$4.1 million), representing a decrease of approximately 17.8% as compared to the corresponding period. The decrease was primarily due to the net effects of (i) the increase in salaries and employee benefits expenses; and (ii) the decrease in general selling expenses as a result of strict cost control measures.

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 2022, administrative expenses were approximately HK\$9.6 million (six months ended 30 June 2021: approximately HK\$10.0 million), representing a decrease of approximately 4.1% as compared to the corresponding period. The administrative expenses decrease was primarily due to the decrease in salaries and employee benefits expenses, entertainment expenses and general office expenses driven by the strict cost control measures.

Finance Costs

For the six months ended 30 June 2022, the finance costs of the Group were approximately HK\$18,000 (six months ended 30 June 2021: approximately HK\$82,000), representing a decrease of approximately 78.0% as compared to the corresponding period. The decrease in finance cost was mainly due to decrease in weighted average bank loans outstanding.

Net Profit

The Group's net profit amounted to approximately HK\$13.3 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$12.9 million), representing an increase of approximately 3.4% as compared to the corresponding period. Net profit margin for the six months ended 30 June 2022 was approximately 11.8% (six months ended 30 June 2021: approximately 12.1%).

The increase in net profit was mainly due to the net effects of (i) enhancement and the implementation of more effective marketing strategies to drive the increase in sales of large sized aerosol cans; (ii) the negative impacts on sales caused by the short term locked-down in various provinces of PRC in the first half of 2022; and (iii) the implementation of the strict cost control measures to reduce the general overhead.

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 2022, the Group had net current assets of approximately HK\$141.1 million (31 December 2021: approximately HK\$130.1 million). The Group's cash and cash equivalents amounted to HK\$97.2 million as at 30 June 2022 (31 December 2021: approximately HK\$95.4 million) which are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The current ratio of the Group was approximately 6.7 as at 30 June 2022 (31 December 2021: approximately 7.1).

Borrowings and the Pledge of Assets

As at 30 June 2022, the bank borrowings of the Group amounted to approximately HK\$0.3 million (31 December 2021: approximately HK\$0.3 million), which were secured by our property, plant and equipment and land use rights. All borrowings are charged with reference to the Loan Prime Rate of the People's Bank of China. All borrowings are denominated in Renminbi.

As at 30 June 2022, we had available unutilized banking facilities of approximately HK\$112.0 million (31 December 2021: approximately HK\$101.1 million).

Gearing Ratio

As a result of the increase 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 -30% as at 30 June 2022 (31 December 2021: approximately -31%).

CAPITAL STRUCTURE

As at 30 June 2022, the total number of issued shares of the Company (the “Shares”) was 901,785,000 (31 December 2021: 901,785,000).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 10.0% of the Group’s revenue for the six months ended 30 June 2022 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 2022, 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 2022, we had conducted forward purchases with the amount of approximately RMB7.3 million consisting of approximately 360 tonnes of aluminum ingots. As at 30 June 2022, we did not have any outstanding forward purchases.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2022, the Group had a workforce of 255 employees (31 December 2021: 245 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$13.9 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$13.2 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 2022.

SIGNIFICANT INVESTMENTS

As at 30 June 2022, the Group did not have any significant investments (31 December 2021: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2022, 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 2022, 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 | Actual amount | Remaining | Expected timeline for unutilised net proceeds |
|--|---------------------------------------|---|--|---|---|
| | | utilized up to 31 December 2021 (HK\$ million) | utilized subsequent to 31 December 2021 and up to 30 June 2022 (HK\$ million) | unutilized balance as at 30 June 2022 (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 | — | — | |
| Establish a new research and development laboratory | 12.0 | 3.3 | — | 8.7 | by 31 December 2023 |
| Partially repay US\$ denominated bank loan | 16.0 | 16.0 | — | — | |
| General working capital purposes | 4.0 | 4.0 | — | — | |
| | <u>80.0</u> | <u>71.3</u> | <u>—</u> | <u>8.7</u> | |

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTRACTUAL OBLIGATIONS

As at 30 June 2022, the Group's capital commitments of plant and machinery amounted to approximately HK\$0.9 million (31 December 2021: HK\$4.6 million).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: 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 2022.

EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2022 and up to the date of this announcement.

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 2022 and recommended its adoption by the Board.

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 two members, being two independent non-executive Directors, namely, Mr. Yip Wai Man Raymond (Chairman) and Dr. Lin Tat Pang. Accordingly, a majority of the members are independent non-executive Directors.

The Risk Management Committee has reviewed the hedging policies regarding its activities in forward purchases of aluminum ingots and entering into foreign currency forward contracts statements of the Group for the six months ended 30 June 2022 and is of the opinion that the Group has complied with the hedging policy.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2022, except the CG Code provision C.2.1.

Pursuant to the CG Code provision C.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 Wan Tsang (“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.

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 2022.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK0.29 cent per Share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK0.14 cent per Share) to be payable on or around 31 October 2022 to the shareholders of the Company whose names appear on the register of members of the Company on 8 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2022 to 8 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 September 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.6898hk.com>). The interim report of the Company for the six months ended 30 June 2022 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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, 24 August 2022

As at the date of this announcement, the executive Directors are Mr. Lin Wan Tsang and Mr. Dong Jiangxiong; and the independent non-executive Directors are Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Yip Wai Man Raymond.

** For identification purpose only*