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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 2023

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 2023, together with the comparative figures for the six months ended 30 June 2022. 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 2023

| | Notes | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
|---|-------|---------------------------------|---------------------------------|
| REVENUE | 3 | 124,616 | 112,731 |
| Cost of sales | | (87,203) | (83,023) |
| Gross profit | | 37,413 | 29,708 |
| Other income and gains | | 5,914 | 5,475 |
| Selling and distribution expenses | | (4,201) | (3,407) |
| Administrative expenses | | (11,341) | (9,599) |
| Research and development expenses | | (4,992) | (5,809) |
| Impairment losses on financial assets | | (156) | (776) |
| Other expenses | | (162) | (882) |
| Finance costs | | (8) | (18) |
| PROFIT BEFORE TAX | 4 | 22,467 | 14,692 |
| Income tax expense | 5 | (4,959) | (1,345) |
| PROFIT FOR THE PERIOD | | <u>17,508</u> | <u>13,347</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | (16,850) | (17,357) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income, net of tax | | 742 | — |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | <u>1,400</u> | <u>(4,010)</u> |

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

For the six months ended 30 June 2023

| | Notes | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
|---|-------|---------------------------------|---------------------------------|
| Profit attributable to: | | | |
| Owners of the parent | | 17,210 | 13,123 |
| Non-controlling interests | | 298 | 224 |
| | | <u>17,508</u> | <u>13,347</u> |
| Total comprehensive income/(loss) attributable to: | | | |
| Owners of the parent | | 1,308 | (3,992) |
| Non-controlling interests | | 92 | (18) |
| | | <u>1,400</u> | <u>(4,010)</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic | 7 | | |
| – For profit for the period | | <u>HK1.9 cents</u> | <u>HK1.5 cents</u> |
| Diluted | | | |
| – For profit for the period | | <u>HK1.3 cent</u> | <u>HK1.0 cent</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|--|-------|-----------------|---------------------|
| | Notes | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 191,939 | 208,561 |
| Right-of-use assets | | 10,860 | 11,629 |
| Deferred tax assets | | 1,924 | 2,059 |
| Non-current prepayments | | 267 | 306 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 204,990 | 222,555 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Inventories | | 29,205 | 25,577 |
| Trade and bills receivables | 8 | 40,397 | 31,952 |
| Prepayments, deposits and other receivables | | 11,700 | 509 |
| Cash and cash equivalents | | 38,578 | 112,790 |
| Financial assets at fair value through other comprehensive income | | 54,759 | — |
| | | <hr/> | <hr/> |
| Total current assets | | 174,639 | 170,828 |
| | | <hr/> | <hr/> |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 9 | 8,169 | 6,023 |
| Other payables and accruals | | 13,488 | 15,963 |
| Interest-bearing bank and other borrowings | | 67 | 250 |
| Tax payable | | 1,866 | 1,015 |
| Deferred income | | 250 | 262 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 23,840 | 23,513 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 150,799 | 147,315 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 355,789 | 369,870 |
| | | <hr/> | <hr/> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

| | 30 June | 31 December |
|---|--------------------|-------------|
| | 2023 | 2022 |
| Notes | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank and other borrowings | 187 | 263 |
| Deferred tax liabilities | 2,392 | 2,780 |
| Deferred income | 4,172 | 4,502 |
| | 6,751 | 7,545 |
| Total non-current liabilities | 6,751 | 7,545 |
| Net assets | 349,038 | 362,325 |
| EQUITY | | |
| Equity attributable to owners of the parent | | |
| Share capital | 9,518 | 9,018 |
| Treasury shares | (10,640) | — |
| Equity component of convertible notes | 244,326 | 271,826 |
| Reserves | 101,288 | 76,407 |
| | 344,492 | 357,251 |
| Non-controlling interests | 4,546 | 5,074 |
| | 349,038 | 362,325 |
| Total equity | 349,038 | 362,325 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|--|------------------------------------|
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

3. REVENUE

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| <i>Revenue from contracts with customers</i> | | |
| Sale of goods | <u>124,616</u> | <u>112,731</u> |

Disaggregated revenue information for revenue from contracts with customers

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Type of goods | | |
| Sale of industrial products | <u>124,616</u> | <u>112,731</u> |
| Geographical markets | | |
| Mainland China | 114,552 | 101,378 |
| Africa | 455 | 338 |
| America | 6,287 | 2,994 |
| Asia | 3,322 | 2,075 |
| Europe | — | 5,946 |
| Total revenue from contracts with customers | <u>124,616</u> | <u>112,731</u> |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | <u>124,616</u> | <u>112,731</u> |

4. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of inventories sold | 87,203 | 83,023 |
| Depreciation of items of property, plant and equipment | 9,552 | 9,877 |
| Depreciation of right-of-use assets | 245 | 356 |
| Research and development costs | 4,992 | 5,809 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries | 15,136 | 13,857 |
| Pension scheme contributions | 1,072 | 1,233 |
| | <u>16,208</u> | <u>15,090</u> |
| Exchange gains, net | (236) | (565) |
| (Reversal of write-down of)/Write-down of inventories to net realisable value | (51) | 96 |
| Impairment losses on financial assets | <u>156</u> | <u>776</u> |

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 | |
|--------------------------|-------------------------------------|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current – Mainland China | 5,212 | 1,111 |
| Deferred | (253) | 234 |
| | <u>4,959</u> | <u>1,345</u> |

6. DIVIDENDS

| | For the six months ended 30 June | |
|--|---|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Proposed interim – HK0.29 cent (2022: HK0.29 cent) per ordinary share | <u>2,760</u> | <u>2,615</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 | |
|--|---|---------------|
| | 2023 | 2022 |
| | 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>17,210</u> | <u>13,123</u> |

| | Number of shares | |
|--|-----------------------------|----------------------|
| Shares | | |
| Weighted average number of ordinary shares in issue used in the basic earnings per share calculation | 903,605,067 | 901,785,000 |
| Effect of dilution – weighted average number of ordinary shares: Convertible Notes | <u>444,228,072</u> | <u>494,228,072</u> |
| Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation | <u>1,347,833,139</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 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 17,079 | 9,213 |
| 31 to 60 days | 13,415 | 4,046 |
| 61 to 90 days | 3,589 | 11,609 |
| Over 90 days* | 6,314 | 7,084 |
| | <u>40,397</u> | <u>31,952</u> |

* The outstanding balance of trade and bills receivables due from its related companies controlled by the ultimate shareholder of the Company is HK\$5,743,000 (31 December 2022:HK\$6,952,000) 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 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 3,963 | 2,320 |
| 31 to 60 days | 2,935 | 3,182 |
| 61 to 90 days | 533 | 97 |
| Over 90 days | 738 | 424 |
| | <u>8,169</u> | <u>6,023</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Our revenue is primarily derived from the sale of aluminum aerosol cans. For the six months ended 30 June 2023, revenue derived from the sale of aluminum aerosol cans was approximately HK\$124.6 million (six months ended 30 June 2022: approximately HK\$112.7 million). The Group’s revenue for the six months ended 30 June 2023 recorded an increase of approximately 10.5% as compared to the corresponding period. The increase in revenue was primarily due to the increase of sales in aerosol cans as a result of the improved overall business environment due to the relaxation of COVID-19 control and prevention measures in the People’s Republic of China (“PRC”).

OPERATING ENVIRONMENT AND PROSPECTS

In 2023, with the smooth transition of the epidemic prevention and control, China continued to promote tax cuts and fee reduction, improve business environment, promote the development of private economy and other measures to stimulate the vitality of market players. The economic recovery has shown a wave of development and a tortuous process. Coupled with the continuous promotion of the global plastic ban, downstream consumer demand in the metal packaging industry has gradually recovered. At the same time, due to the weakening of raw material price fluctuations caused by geopolitical wars and short-term supply constraints, the pressure on production costs of metal packaging companies has been gradually released, resulting in the simultaneous growth of the Group’s operating income and net profit. However, the current insufficient domestic demand in China, operational difficulties of some enterprises, more hidden risks in key areas and the increasingly complex international environment have intensified the challenges that the Group will face. Therefore, stable development, risk prevention and vitality will remain the key to the Group’s future work. The Group will continue to face (i) the fierce competition in the aluminium aerosol can market around the world, especially the intensified competition from small-scale manufacturers in the industry; and (ii) various policy risks in the PRC.

Facing the complex domestic and international situation, the Group will continue to (i) focus on the construction of R&D capabilities while maintaining the diversification of the Group's products, actively cultivate or introduce excellent R&D talents, and further enhance R&D and innovation capabilities, so as to build a moat for the long-term healthy development of the Group; (ii) adhere to the development model of "mutual reliance with core customers", increase service efforts for customers, continuously maintain and consolidate the cooperation relationship with core customers, and enhance customer stickiness; At the same time, we will continue to improve and expand our production layout and enhance our ability to develop new customers; (iii) further increase the production capacity of equipment, reduce production costs, optimise production process, improve production efficiency, and continuously optimise the production capacity layout; and (iv) adhere to the development concept of "patent-based technology, patent standardisation and standards industrialization", actively lead or participate in the formulation and revision of various national standards, industry standards, organization standards and international standards, and enhance the Group's industry influence.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2023, the Group's aluminum aerosol cans segment recorded a turnover of approximately HK\$124.6 million (six months ended 30 June 2022: approximately HK\$112.7 million), representing an increase of approximately 10.5% as compared to the corresponding period of 2022. The number of aluminum aerosol cans sold by the Group for the six months ended 30 June 2023 was approximately 66.2 million (six months ended 30 June 2022: approximately 55.6 million). The increase in revenue was primarily due to the increase of sales in aerosol cans as a result of the improved overall business environment due to the relaxation of COVID-19 control and prevention measures in the PRC.

PRC and Overseas Customers

The Group focused on PRC market, which the revenue from the PRC market amounted to approximately 91.9% for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately 89.9%). For the six months ended 30 June 2023, the PRC customers and overseas customers contributed approximately HK\$114.6 million (six months ended 30 June 2022: approximately HK\$101.3 million) and HK\$10.0 million (six months ended 30 June 2022: approximately HK\$11.4 million) to the total revenue of the Group. There was an increase of approximately 13.0% in sales from PRC customers which was mainly due to the increase of sales in aerosol cans as a result of the improved overall business environment due to the relaxation of COVID-19 control and prevention measures in the PRC. There was a decrease of approximately 11.4% in sales from the overseas customers which was mainly due to the impact of the continuous economic and trade frictions between China and the United States, which drove portions of overseas customers shifted the orders to overseas competitors.

Cost of Sales

For the six months ended 30 June 2023, cost of sales of the Group amounted to approximately HK\$87.2 million (six months ended 30 June 2022: approximately HK\$83.0 million), which represented approximately 70.0% (six months ended 30 June 2022: approximately 73.6%) of the turnover. There was an increase of approximately 5.0% in cost of sales which was mainly attributable to the increase in cost of sales due to the increase of the turnover.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK\$37.4 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$29.7 million), representing an increase of approximately 25.9% as compared to the corresponding period. The increase in gross profit was mainly driven by the increase in turnover and the decrease in the price of aluminum ingots, the major raw material. As a result, the gross profit margin increased from approximately 26.4% for the six months ended 30 June 2022 to approximately 30.0% for the six months ended 30 June 2023.

Other Income and Gains

Other income and gains mainly comprise sale of scrap materials, exchange gains, government grants and bank interest income. For the six months ended 30 June 2023, other income and gains of the Group was approximately HK\$5.9 million (six months ended 30 June 2022: approximately HK\$5.5 million), representing an increase of approximately 8.0% which was due to the net effects of (i) the increase in sale of scrap material income; (ii) the increase in bank interest income; (iii) the decrease in exchange gains; and (iv) the decrease 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 2023, selling and distribution expenses were approximately HK\$4.2 million (six months ended 30 June 2022: approximately HK\$3.4 million), representing an increase of approximately 23.3% as compared to the corresponding period. The increase was primarily due to the net effects of (i) the increase in transportation expenses and declaration charges; and (ii) the increase in business travel and entertainment expenses.

Administrative Expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, business travel and entertainment expenses, professional consulting fees, depreciation and other miscellaneous administrative expenses. For the six months ended 30 June 2023, administrative expenses were approximately HK\$11.3 million (six months ended 30 June 2022: approximately HK\$9.6 million), representing an increase of approximately 18.1% as compared to the corresponding period. The increased administrative expenses was primarily due to (i) the increase in business travel and entertainment expenses as a result of the increased turnover; and (ii) the increased general office expenses.

Finance Costs

For the six months ended 30 June 2023, the finance costs of the Group were approximately HK\$8,000 (six months ended 30 June 2022: approximately HK\$18,000), representing a decrease of approximately 55.6% 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\$17.5 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$13.3 million), representing an increase of approximately 31.2% as compared to the corresponding period. Net profit margin for the six months ended 30 June 2023 was approximately 14.0% (six months ended 30 June 2022: approximately 11.8%).

The increase in net profit was mainly due to the net effects of (i) the increase of sales in aerosol cans as a result of the improved overall business environment due to the relaxation of COVID-19 control and prevention measures in the PRC; (ii) the increase in gross profit margin due to the decrease in the cost of major raw material; 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 2023, the Group had net current assets of approximately HK\$150.8 million (31 December 2022: approximately HK\$147.3 million). The Group's cash and cash equivalents amounted to HK\$38.6 million as at 30 June 2023 (31 December 2022: approximately HK\$112.8 million) which are mainly denominated in Renminbi ("RMB"), United States dollars and Hong Kong dollars. The current ratio of the Group was approximately 7.3 as at 30 June 2023 (31 December 2022: approximately 7.3).

Borrowings and the Pledge of Assets

As at 30 June 2023, the bank borrowings of the Group amounted to approximately HK\$0.2 million (31 December 2022: approximately HK\$0.4 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 2023, we had available unutilized banking facilities of approximately HK\$164.5 million (31 December 2022: approximately HK\$90.0 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 -8% as at 30 June 2023 (31 December 2022: approximately -39%).

CAPITAL STRUCTURE

As at 30 June 2023, the total number of issued shares of the Company (the “Shares”) was 951,785,000 (31 December 2022: 901,785,000).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 8% of the Group’s revenue for the six months ended 30 June 2023 were denominated in United States dollars (“US\$”). However, over 93% 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 2023, 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. Due to the narrowing of market price fluctuations for bulk commodity aluminum ingots in the past 12 months, we have reduced the quantity and amount of forward purchase of aluminum ingots.

During the period ended 30 June 2023, we had conducted forward purchases with the amount of approximately RMB1.9 million consisting of approximately 111 tonnes of aluminum ingots. As at 30 June 2023, we did not have any outstanding forward purchases.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2023, the Group had a workforce of 269 employees (31 December 2022: 244 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$15.1 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$13.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of an individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to retain eligible employees of the Group. Share options would be granted to respective employees with outstanding performance and contributions to the Group. The emoluments of the directors of the Company (the "Directors") have been determined with reference to the skills, knowledge, and contribution in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS

As at 30 June 2023, the Group did not have any significant investments (31 December 2022: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2023, 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 2023, 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 2022 (HK\$ million) | utilized subsequent to 31 December 2022 and up to 30 June 2023 (HK\$ million) | unutilized balance as at 30 June 2023 (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 2023, the Group's capital commitments of plant and machinery amounted to approximately HK\$3.4 million (31 December 2022: HK\$2.4 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

21,600,000 shares were repurchased during the six months ended 30 June 2023. And 58,838,000 shares were repurchased and 80,438,000 shares were cancelled on July 2023 respectively.

Save as disclosed above, 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 2023.

EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2023 and up to the date of this report.

ISSUE OF THE CONVERTIBLE NOTES

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

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

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

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

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

In June 2023, the Company received a formal notice from a vendor for the exercise of the conversion rights attached to the Convertible Notes in the amount of HK\$27,500,000 at the conversion price of HK\$0.55 per conversion share. The portion of the Convertible Notes, of which the conversion rights are being exercised, represents approximately 10.12% of the Convertible Notes with a principal amount of HK\$271,825,440 held by the vendor. In accordance with the conversion requirement, 50,000,000 conversion shares were resolved to be allotted and issued by the Company to the vendor in 2023.

As at 30 June 2023, the outstanding principal amount of the Convertible Notes was HK\$244,325,440 and the outstanding Convertible Notes were convertible into 444,228,072 conversion shares based on the new conversion price of HK\$0.55 per conversion share instead of 226,227,259 conversion shares based on the initial conversion price of HK\$1.08 per conversion share.

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 2023 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 followed 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 2023 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 2023, 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 2023.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK0.29 cent per Share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK0.29 cent per Share) to be payable on or around 31 October 2023 to the shareholders of the Company whose names appear on the register of members of the Company on 8 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2023 to 8 September 2023, 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 2023.

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 2023 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, 22 August 2023

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*