

中國鋁罐控股有限公司

China Aluminum Cans Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6898



INTERIM REPORT **2023**

CONTENTS

2	Corporate Information
4	Business Review
5	Management Discussion and Analysis
11	Report on Review of Interim Condensed Consolidated Financial Statements
12	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
13	Interim Condensed Consolidated Statement of Financial Position
15	Interim Condensed Consolidated Statement of Changes in Equity
16	Interim Condensed Consolidated Statement of Cash Flows
18	Notes to the Interim Condensed Consolidated Financial Statements
28	Other Information

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMMITTEES OF THE BOARD

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

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

AUTHORIZED REPRESENTATIVES

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

COMPANY SECRETARY

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

REGISTERED OFFICE

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

HEADQUARTER OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 5 Ya Bo Nan Road
National Health Technology Park of Zhongshan
Torch Development Zone
Zhongshan City
Guangdong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION

AUDITOR

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

STOCK CODE

6898

WEBSITE FOR THE COMPANY

www.6898hk.com

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

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

BUSINESS REVIEW

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

Our revenue is primarily derived from the sale of aluminum aerosol cans. For the six months ended 30 June 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 standardisation industrialization”, actively lead or participate in the formulation and revision of various national standards, industry standards, group standards and international standards, and enhance the Group’s industry influence.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel and entertainment expenses, and advertisement and promotion costs. For the six months ended 30 June 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, 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 utilized up to 31 December 2022 (HK\$ million)	Actual amount utilized subsequent to 31 December 2022 and up to 30 June 2023	Remaining unutilized balance as at 30 June 2023	Expected timeline for unutilised net proceeds
			(HK\$ million)	(HK\$ million)	
Partially fund the expansion of our production capacity, including the upgrade of our existing production lines and the acquisition of a brand new production line for aluminum aerosol cans	48.0	48.0	—	—	by 31 December 2023
Establish a new research and development laboratory	12.0	3.3	—	8.7	
Partially repay US\$ denominated bank loan	16.0	16.0	—	—	
General working capital purposes	4.0	4.0	—	—	
	80.0	71.3	—	8.7	

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTRACTUAL OBLIGATIONS

As at 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Assuming that there is no change in share capital of the Company since 30 June 2023 and the conversion rights attached to the Convertible Notes are exercised in full, the number of issued shares of the Company will be increased by 444,228,072 (the "Conversion Shares"), representing approximately 46.67% of the issued shares of the Company as at 30 June 2023 (i.e. 951,785,000 Shares) and approximately 31.82% of the issued shares of the Company as enlarged by the allotment and issue of the Conversion Shares (i.e. 1,396,013,072 Shares).

Dilution effect of the conversion of Convertible Notes

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

Substantial Shareholders	As at 30 June 2023		Upon full conversion of Convertible Notes as at 30 June 2023	
	Number of Shares	Approximately % of issued Shares	Number of Shares	Approximately % of issued Shares
Mr. Lin Wan Tsang	392,546,000	41.24%	836,774,072	59.94%
Wellmass International Limited	268,000,000	28.16%	268,000,000	19.20%

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

Dilution impact on earnings per share

As calculated based on profit attributable to owners of the Company of approximately HK\$17.2 million for the six months ended 30 June 2023, basic and diluted earnings per share of the Company amounted to HK1.9 cents and HK1.3 cent, respectively.

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

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

Date	31 December 2023 (HK\$ per share)	31 December 2024 (HK\$ per share)
Share prices	0.55	0.55

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Independent review report

To the board of directors of China Aluminum Cans Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 27, which comprises the condensed consolidated statement of financial position of China Aluminum Cans Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

22 August 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	187	263
Deferred tax liabilities		2,392	2,780
Deferred income		4,172	4,502
Total non-current liabilities		6,751	7,545
Net assets		349,038	362,325
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	9,518	9,018
Treasury shares		(10,640)	—
Equity component of convertible notes	15	244,326	271,826
Reserves		101,288	76,407
		344,492	357,251
Non-controlling interests		4,546	5,074
Total equity		349,038	362,325

Lin Wan Tsang

Director

Dong Jiangxiong

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent												Total equity HK\$'000
	Share capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Equity component of		Fair value reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
						convertible notes HK\$'000	Reserve funds HK\$'000						
At 31 December 2022 (audited)	9,018	—	607,174	111,196	(900,000)	271,826	50,848	—	(13,765)	220,954	357,251	5,074	362,325
Profit for the period	—	—	—	—	—	—	—	—	—	17,210	17,210	298	17,508
Other comprehensive loss for the period:													
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	732	—	—	732	10	742
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(16,634)	—	(16,634)	(216)	(16,850)
Total comprehensive loss for the period	—	—	—	—	—	—	—	732	(16,634)	17,210	1,308	92	1,400
Exercise of the conversion rights attached to the Convertible Notes	500	—	27,000	—	—	(27,500)	—	—	—	—	—	—	—
Shares repurchased	—	(10,640)	—	—	—	—	—	—	—	—	(10,640)	—	(10,640)
Transfer from retained profits	—	—	—	—	—	—	2,145	—	—	(2,145)	—	—	—
Dividends paid	—	—	(3,427)	—	—	—	—	—	—	—	(3,427)	(620)	(4,047)
At 30 June 2023 (unaudited)	9,518	(10,640)	630,747	111,196	(900,000)	244,326	52,993	732	(30,399)	236,019	344,492	4,546	349,038

	Attributable to owners of the parent												Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of		Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000		
						convertible notes HK\$'000	Reserve funds HK\$'000						
At 31 December 2021 (audited)	9,018	610,599	111,196	(900,000)	1,986	271,826	48,300	14,733	202,989	370,647	5,122	375,769	
Profit for the period	—	—	—	—	—	—	—	—	13,123	13,123	224	13,347	
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(17,115)	—	(17,115)	(242)	(17,357)
Total comprehensive loss for the period	—	—	—	—	—	—	—	—	(17,115)	13,123	(3,992)	(18)	(4,010)
Transfer from retained profits	—	—	—	—	—	—	1,611	—	(1,611)	—	—	—	—
Dividends paid	—	(2,795)	—	—	—	—	—	—	—	—	(2,795)	—	(2,795)
Equity-settled share option arrangements	—	1,986	—	—	(1,986)	—	—	—	—	—	—	—	—
At 30 June 2022 (unaudited)	9,018	609,790	111,196	(900,000)	—	271,826	49,911	(2,382)	214,501	363,860	5,104	368,964	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		22,467	14,692
Adjustments for:			
Finance costs		8	18
Interest income		(481)	(387)
Loss on disposal of property, plant and equipment		4	2
Depreciation of items of property, plant and equipment	4	9,552	9,877
Depreciation of right-of-use assets	4	245	356
(Reversal of write-down of)/write-down of inventories to net realisable value	4	(51)	96
Impairment losses on financial assets	4	156	776
		31,900	25,430
(Increase)/decrease in inventories		(4,555)	557
Increase in trade and bills receivables		(11,329)	(12,260)
(Increase)/decrease in prepayments, deposits and other receivables		(2,151)	131
Decrease/(Increase) in amounts due from related parties		738	(6,153)
Increase in trade and bills payables		2,420	2,014
(Decrease)/increase in other payables and accruals		(1,752)	1,314
Decrease in deferred income		(230)	(146)
Cash generated from operations		15,041	10,887
Withholding tax paid		(2,294)	—
PRC corporate income tax paid		(2,099)	(42)
Net cash flows from operating activities		10,648	10,845

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,899)	(3,819)
Proceeds from disposal of items of property, plant and equipment	10	—
Purchases of financial assets at fair value through other comprehensive income	(54,017)	—
Interest received from banks	481	387
Net cash flows used in investing activities	(55,425)	(3,432)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	—	1,269
Repayment of bank loans	(211)	(1,288)
Interest paid	(8)	(18)
Dividends paid to owners of the parent	(3,427)	(2,795)
Dividends paid to non-controlling interests	(266)	—
Shares repurchased	(20,000)	—
Principal portion of lease payments	(250)	(127)
Net cash flows used in financing activities	(24,162)	(2,959)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	112,790	95,377
Effect of foreign exchange rate changes, net	(5,273)	(2,658)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	38,578	97,173

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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	124,616	112,731

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	124,616	112,731
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	124,616	112,731
Timing of revenue recognition		
Goods transferred at a point in time	124,616	112,731

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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
	16,208	15,090
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	156	776

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 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current – Mainland China	5,212	1,111
Deferred	(253)	234
	4,959	1,345

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

6. DIVIDENDS

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Proposed interim – HK0.29 cent (2022: HK0.29 cent) per ordinary share	2,760	2,615

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 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	17,210	13,123

	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 (note 15)	444,228,072	494,228,072
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	1,347,833,139	1,396,013,072

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets with a cost of HK\$1,938,000 (30 June 2022: HK\$ 3,783,000).

Assets with a net book value of HK\$14,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: HK\$2,000), resulting in a net loss on disposal of HK\$4,000 (30 June 2022: a net loss in total of HK\$2,000).

During the six months ended 30 June 2023 and 2022, no impairment loss was recognised by the Group.

9. TRADE AND BILLS RECEIVABLES

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

	30 June 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
	40,397	31,952

* 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.

10. 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
	8,169	6,023

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023			31 December 2022		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
Current						
Lease liabilities	5.125%	2024	67	5.125%	2023	66
Bank loans – secured			—	LPR-0.45%	2023	184
			67			250
Non-current						
Lease liabilities	5.125%	2024	27	5.125%	2024	58
Long-term bank loans – secured	LPR+1.15%	2025	160	LPR+1.15%	2025	205
			254			513

Note:

"LPR" stands for the Loan Prime Rate designated by the People's Bank of China (中國人民銀行).

12. COMMITMENTS

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	3,356	2,389

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

13. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sales of products to:			
Guangzhou Botny Chemical Co., Ltd. ("Botny Chemical") (廣州保賜利化工有限公司)	(i)	1,329	365
Guangzhou Euro Asia Aerosol and Household Products Manufacture Co., Ltd. ("Euro Asia Aerosol") (廣州歐亞氣霧劑與日化用品製造有限公司)	(i)	11,428	11,937
Total		12,757	12,302
Lease rental expenses charged by:			
Mr. Lin Wan Tsang *	(ii)	33	33

* A director of the Company

- (i) Botny Chemical and Euro Asia Aerosol are related companies controlled by the ultimate shareholder of the Company. The sales and purchases between the companies were made on prices and conditions as mutually agreed.
- (ii) The lease rental expenses charged by Mr. Lin Wan Tsang were determined based on the underlying contracts as agreed between the Group and Mr. Lin Wan Tsang.

- (b) Outstanding balances with related parties:

The Group had an outstanding balance due to its related companies controlled by the ultimate shareholder of the Company amounting to HK\$13,000 (31 December 2022:HK\$13,000) as at the end of the reporting period. The Group had an outstanding balance due from its related companies controlled by the ultimate shareholder of the Company amounting to HK\$13,864,000 (31 December 2022:HK\$14,748,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

13. RELATED PARTY TRANSACTIONS *(continued)*

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Fees	1,009	1,305
Salaries, allowances and benefits in kind	574	1,360
Pension scheme contributions	35	124
Total compensation paid to key management personnel	1,618	2,789

14. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2022 to 30 June 2023.

	Notes	Number of ordinary shares of HK\$0.01	Nominal value of ordinary shares HK\$
Authorised and issued:			
At 1 January 2022		901,785,000	9,017,850
At 31 December 2022 and 1 January 2023 (Audited)		901,785,000	9,017,850
Convertible Notes converted	(i)	50,000,000	500,000
At 30 June 2023 (Unaudited)		951,785,000	9,517,850

Note:

- (i) 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.

In June 2023, 21,600,000 ordinary shares were repurchased but not yet cancelled by the Company at 30 June 2023. And those shares repurchased but not yet cancelled were not included in 2023 interim dividend distribution.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

15. CONVERTIBLE NOTES

Background

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

The key terms of the Convertible Notes are as follows:

Principal amount: HK\$780,000,000

Interest: the Convertible Notes shall not bear any interest.

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

15. CONVERTIBLE NOTES *(continued)*

Background *(continued)*

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

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

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

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

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

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

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.

16. EVENTS AFTER THE REPORTING PERIOD

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

OTHER INFORMATION

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

As at 30 June 2023, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(i) Long positions in the Shares

Names of Director	Number of Ordinary Shares		Total	Approximate percentage of the issued Shares (Note 1)
	Beneficial owner	Interests in a controlled corporation		
Mr. Lin Wan Tsang ("Mr. Lin")	392,546,000	268,000,000 (Note 2)	660,546,000	69.40%

Notes:

- (1) These percentages have been compiled based on the total number of issued Shares as at 30 June 2023 (i.e. 951,785,000 Shares).
- (2) These Shares are held by Wellmass International Limited ("Wellmass"), which is wholly and beneficially owned by Mr. Lin.

OTHER INFORMATION

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

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

Name of the holder of the convertible notes	Principal amount of the convertible notes	Number of the total underlying Shares	Approximate percentage of the issued Shares (Note 1)
Mr. Lin (Note 2)	244,325,440	444,228,072	46.67%

Notes:

- These percentages have been compiled based on the total number of issued Shares as at 30 June 2023 (i.e. 951,785,000 Shares).
- These convertible notes were issued by the Company on 8 July 2015 as part of the consideration to the acquisition of Topspan Holdings Limited and its subsidiaries on 20 May 2015. They are unlisted, interest-free and convertible into the Shares at the conversion price of HK\$0.55 per Share.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at 30 June 2023, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

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

As at 30 June 2023, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long Positions in the Shares

Name of shareholder	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares (Note 1)
Wellmass (Note 2)	Beneficial owner	268,000,000	28.16%

Notes:

- These percentages have been compiled based on the total number of issued Shares as at 30 June 2023 (i.e. 951,785,000 Shares).
- Wellmass is a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Lin.

OTHER INFORMATION

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

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

Save as disclosed above, as at 30 June 2023, no person, other than the Director and chief executive of the Company, whose interests are set out in the section "Director's and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 June 2023 and up to the date of this report, none of the Directors or any of their respective close associates has engaged in any business that had competed or may compete with the business of the Group and any other conflict of interests which any such person had or might have with the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the sections headed "Director's and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Pre-IPO Share Option Scheme" below, at no time during the six months ended 30 June 2023 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective close associates nor was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors, or their respective close associates to acquire such rights in any other body corporate.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

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

OTHER INFORMATION

PRE-IPO SHARE OPTION SCHEME

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

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

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

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

OTHER INFORMATION

PRE-IPO SHARE OPTION SCHEME *(Continued)*

During the six months ended 30 June 2023, no share options were granted, exercised, lapsed and cancelled under the Pre-IPO Share Option Scheme.

SHARE OPTION SCHEME

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

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

The Share Option Scheme was terminated on 19 May 2023.

The Company adopted the 2023 Share Option Scheme on 19 May 2023. The maximum numbers of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the 19 May 2023 (i.e. 90,178,500 Shares) unless approved by the shareholders of the Company.

The eligible participants shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the group.

During the six months ended 30 June 2023, no share options were granted, exercised, lapsed and cancelled under the Share Option Scheme and the 2023 Share Option Scheme.

OTHER INFORMATION

AUDIT COMMITTEE

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

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements matters of the Group for the six months ended 30 June 2023 and recommended its adoption by the Board.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

The risk management committee of the Company (the "Risk Management Committee") was established on 24 June 2013, with specific written terms of reference for reviewing and approving the hedging policies as formulated by the hedging team of the Company (the "Hedging Team") and reporting to the Board as to whether the hedging policies have been duly following by the Hedging Team. The Risk Management Committee is authorized to separate and independent direct access to and complete and open communication with the Group's management to allow them to fulfill their duties. The Risk Management Committee comprises a total of 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.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 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, the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Lin's experience and established market reputation in the industry, and the importance of Mr. Lin in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules for the six months ended 30 June 2023 and to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. All Directors have confirmed that, following specific enquiries made by the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 June 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. As of the date of this report, Shares repurchased and cancelled were not included in 2023 interim dividend distribution.

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.

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