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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 2024

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 2024, together with the comparative figures for the six months ended 30 June 2023. 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 2024

	Notes	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
REVENUE	3	119,659	124,616
Cost of sales		(84,228)	(87,203)
Gross profit		35,431	37,413
Other income and gains		4,525	5,914
Selling and distribution expenses		(2,069)	(4,201)
Administrative expenses		(11,439)	(11,341)
Research and development expenses		(4,803)	(4,992)
(Impairment losses) /reversal of impairment losses on financial assets, net		489	(156)
Other expenses		(870)	(162)
Finance costs		(9)	(8)
PROFIT BEFORE TAX	4	21,255	22,467
Income tax expense	5	(4,782)	(4,959)
PROFIT FOR THE PERIOD		<u>16,473</u>	<u>17,508</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		(3,623)	(16,850)
Other comprehensive (loss)/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		(186)	742
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>12,664</u>	<u>1,400</u>

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

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Profit attributable to:			
Owners of the parent		16,189	17,210
Non-controlling interests		284	298
		<u>16,473</u>	<u>17,508</u>
Total comprehensive income attributable to:			
Owners of the parent		12,448	1,308
Non-controlling interests		216	92
		<u>12,664</u>	<u>1,400</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	7		
Basic			
– For profit for the period		<u>HK1.7 cents</u>	<u>HK1.9 cents</u>
Diluted			
– For profit for the period		<u>HK1.3 cent</u>	<u>HK1.3 cent</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024	31 December 2023
		(Unaudited)	(Audited)
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		173,435	182,141
Right-of-use assets		10,655	10,802
Deferred tax assets		2,431	2,597
Long-term treasury investments		—	23,346
		<hr/>	<hr/>
Total non-current assets		186,521	218,886
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		27,840	26,012
Trade and bills receivables	8	28,971	30,501
Prepayments, other receivables and other assets		14,506	2,728
Short-term treasury investments		11,689	25,411
Cash and cash equivalents		23,729	39,500
Financial assets at fair value through profit and loss		9,754	—
		<hr/>	<hr/>
Total current assets		116,489	124,152
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	9	7,211	4,140
Other payables and accruals		15,866	14,659
Interest-bearing bank and other borrowings		201	63
Tax payable		1,416	—
Deferred income		245	252
		<hr/>	<hr/>
Total current liabilities		24,939	19,114
		<hr/>	<hr/>
NET CURRENT ASSETS		91,550	105,038
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		278,071	323,924
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		176	126
Deferred tax liabilities		1,852	2,682
Deferred income		3,941	4,122
		<hr/>	<hr/>
Total non-current liabilities		5,969	6,930
		<hr/>	<hr/>
Net assets		272,102	316,994
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		10,296	9,116
Treasury Shares		(52,622)	—
Equity component of convertible notes		151,926	216,826
Reserves		158,790	86,740
		<hr/>	<hr/>
		268,390	312,682
Non-controlling interests		3,713	4,312
		<hr/>	<hr/>
Total equity		272,102	316,994
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to IAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	119,659	124,616

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Type of goods		
Sale of industrial products	119,659	124,616
Geographical markets		
Chinese Mainland	105,258	114,552
Africa	845	455
America	8,201	6,287
Asia	5,355	3,322
Total	119,659	124,616
Timing of revenue recognition		
Goods transferred at a point in time	119,659	124,616

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	84,228	87,203
Depreciation of items of property, plant and equipment	8,418	9,552
Depreciation of right-of-use assets	330	245
Research and development costs	4,803	4,992
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	15,603	15,136
Pension scheme contributions	1,190	1,072
	<u>16,793</u>	<u>16,208</u>
Exchange losses/(gains), net	574	(236)
Reversal of write-down of inventories to net realisable value	(155)	(51)
Impairment losses/(reversal of impairment losses) of financial assets, net	<u>(489)</u>	<u>156</u>

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Chinese Mainland	5,482	5,212
Deferred	(700)	(253)
	<u>4,782</u>	<u>4,959</u>

6. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Proposed interim – HK 0.28 cent (2023: HK0.29 cent) per ordinary share	<u>2,679</u>	<u>2,760</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	
	2024	2023
	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>16,189</u>	<u>17,210</u>
		Number of shares
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	931,425,192	903,605,067
Effect of dilution – weighted average number of ordinary shares: Convertible Notes	<u>276,228,072</u>	<u>444,228,072</u>
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<u>1,207,653,264</u>	<u>1,347,833,139</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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 30 days	9,324	9,720
31 to 60 days	13,915	7,075
61 to 90 days	4,621	5,569
Over 90 days*	1,111	8,137
	<hr/>	<hr/>
Total	28,971	30,501

* The outstanding balance of trade and bills receivables due from its related companies controlled by the ultimate shareholder of the Company is HK\$0 (31 December 2023:HK\$7,588,000) 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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 30 days	4,711	3,043
31 to 60 days	2,272	893
61 to 90 days	225	197
Over 90 days	3	7
	<hr/>	<hr/>
Total	7,211	4,140

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 2024, revenue derived from the sale of aluminum aerosol cans was approximately HK\$119.7 million (six months ended 30 June 2023: approximately HK\$124.6 million). The Group’s revenue for the six months ended 30 June 2024 recorded a decrease of approximately 4% as compared to the corresponding period. The decrease in revenue was primarily due to the change in the domestic market conditions in the People’s Republic of China (“PRC”), the conservative consumption behavior arising from the downturn in consumer confidence, and the overall market activity further dampened by the weakness in domestic demand, which ultimately led to the decrease in revenue of the Group during the Reporting Period.

OPERATING ENVIRONMENT AND PROSPECTS

In 2024, the global economy continues to face many challenges, and the complexity and uncertainty of the external environment continue to increase. From an international perspective, the significant increase in geopolitical risks, the slow growth of the global economy and the continuing high inflationary pressure, together with the intensifying commodity price volatility, have created uncertainty over the prospects of global economic recovery. From a domestic perspective, the lack of effective demand and the downturn in consumer confidence have become a prominent problem, resulting in a slight decrease in the Group’s revenue in the first half of 2024. In addition, the insufficient domestic demand in the PRC, operational difficulties of some enterprises and the increasing complexity of the international environment have brought new challenges to the Group. Therefore, stable development, risk prevention as well as exploration and innovation 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; (ii) continued downgrade and weakened consumer demand; and (iii) various policy risks in the PRC.

In view of the complex domestic and international economic situation, the Group will continue to adopt the following measures: (i) continuing to diversify its products and enhance its R&D capabilities to attract and cultivate high quality R&D talents; enhancing its independent R&D and innovation capabilities to create long-term competitive advantages; (ii) continuing to implement the strategy of “working closely with core customers” to strengthen the customer services and consolidate the cooperation relationship with core customers; strengthening the support for existing customers, and actively expanding new customers; (iii) enhancing the production capacity of production equipment, reducing costs and optimising production process; improving production processes to improve production efficiency, and optimise the production capacity layout; and (iv) implementing the strategy concept of “patent-based technology, patent standardisation and standardisation industrialization”, actively leading or participating in the formulation of national standards, industry standards, group standards and international standards to strengthen the Group’s leading position and technical influence in the industry.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2024, the Group’s aluminum aerosol cans segment recorded a turnover of approximately HK\$119.7 million (six months ended 30 June 2023: approximately HK\$124.6 million), representing a decrease of approximately 4% as compared to the corresponding period of 2023. The number of aluminum aerosol cans sold by the Group for the six months ended 30 June 2024 was approximately 68.6 million (six months ended 30 June 2023: approximately 66.2 million). The decrease in revenue was primarily due to the change in the domestic market conditions in the PRC, the conservative consumption behavior arising from the downturn in consumer confidence, and the overall market activity further dampened by the weakness in domestic demand, which ultimately led to the decrease in revenue of the Group during the Reporting Period.

PRC and overseas customers

The Group focused on PRC market, which the revenue from the PRC market amounted to approximately 88% for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately 91.9%). For the six months ended 30 June 2024, the PRC customers and overseas customers contributed approximately HK\$105.3 million (six months ended 30 June 2023: approximately HK\$114.6 million) and HK\$14.4 million (six months ended 30 June 2023: approximately HK\$10.0 million) to the total revenue of the Group. There was a decrease of approximately 8.1% in sales from PRC customers which was mainly due to the changes in domestic market conditions in the PRC, the lack of effective demand and the downturn in consumer confidence. There was an increase of approximately 43.1% in sales from the overseas customers which was mainly due to the fact that the marketing department opened up new customers attributable to the increased demand in overseas markets.

Cost of Sales

For the six months ended 30 June 2024, cost of sales of the Group amounted to approximately HK\$84.2 million (six months ended 30 June 2023: approximately HK\$87.2 million), which represented approximately 70.4% (six months ended 30 June 2023: approximately 70.0%) of the turnover during the period. There was a decrease of approximately 3.4% in cost of sales which was mainly attributable to the decrease in cost of sales due to the of the turnover.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK\$35.4 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$37.4 million), representing a decrease of approximately 5.3% as compared to the corresponding period. The decrease in gross profit was mainly driven by the decrease in turnover and the increase in the price of aluminum ingots, the major raw material. As a result, the gross profit margin decrease from approximately 30.0% for the six months ended 30 June 2023 to approximately 29.6% for the six months ended 30 June 2024.

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 2024, other income and gains of the Group was approximately HK\$4.5 million (six months ended 30 June 2023: approximately HK\$5.9 million), representing a decrease of approximately 23.5% 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 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 2024, selling and distribution expenses were approximately HK\$2.1 million (six months ended 30 June 2023: approximately HK\$4.2 million), representing a decrease of approximately 50.7% as compared to the corresponding period. The decrease was primarily due to the net effects of (i) the decrease in declaration charges; and (ii) the decrease 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 2024, administrative expenses were approximately HK\$11.4 million (six months ended 30 June 2023: approximately HK\$11.3 million), representing an increase of approximately 0.9% as compared to the corresponding period. The increased administrative expenses was primarily due to (i) the increase in business travel and entertainment expenses; and (ii) the increased general office expenses.

Finance Costs

For the six months ended 30 June 2024, the finance costs of the Group were approximately HK\$9,000 (six months ended 30 June 2023: approximately HK\$8,000), representing an increase of approximately 12.5% as compared to the corresponding period.

Net Profit

The Group's net profit amounted to approximately HK\$16.5 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$17.5 million), representing a decrease of approximately 5.9% as compared to the corresponding period. Net profit margin for the six months ended 30 June 2024 was approximately 13.8% (six months ended 30 June 2023: approximately 14.0%).

The decrease in net profit was mainly due to the net effects of (i) the decrease of sales as a result of the changes in domestic market conditions in the PRC, the lack of effective demand and the downturn in consumer confidence; (ii) the decrease in gross profit margin due to the increase 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 2024, the Group had net current assets of approximately HK\$91.6 million (31 December 2023: approximately HK\$105 million). The Group's cash and cash equivalents amounted to HK\$23.7 million as at 30 June 2024 (31 December 2023: approximately HK\$39.5 million) which are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The current ratio of the Group was approximately 4.7 as at 30 June 2024 (31 December 2023: approximately 6.5).

Borrowings and the Pledge of Assets

As at 30 June 2024, the bank borrowings of the Group amounted to approximately HK\$0.09 million (31 December 2023: approximately HK\$0.13 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 2024, we had available unutilized banking facilities of approximately HK\$65.5 million (31 December 2023: approximately HK\$89.0 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 -4% as at 30 June 2024 (31 December 2023: approximately -11%).

CAPITAL STRUCTURE

As at 30 June 2024, the total number of issued shares of the Company (the "Shares") was 1,029,607,000 (31 December 2023: 911,607,000).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 12% of the Group's revenue for the six months ended 30 June 2024 were denominated in United States dollars ("US\$"). However, over 95% 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 2024, 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 intensifying market price fluctuations for bulk commodity aluminum ingots in the past 6 months, we had not conducted forward purchase of aluminum ingots.

During the period ended 30 June 2024, we had not conducted any forward purchase of aluminum ingots and had no outstanding forward purchases of aluminum ingots.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2024, the Group had a workforce of 283 employees (31 December 2023: 269 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$15.6 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$15.1 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 2024.

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group did not have any significant investments (31 December 2023: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2024, 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 2024, 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 2023 (HK\$ million)	Actual amount utilized	Remaining unutilized balance as at 30 June 2024 (HK\$ million)	Expected timeline for unutilised net proceeds
			subsequent to 31 December 2023 and up to 30 June 2024 (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 2024
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.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group's capital commitments of plant and machinery amounted to approximately HK\$0.76 million (31 December 2023: HK\$0.53 million).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, (1) 118,000,000 new ordinary shares of the Company were issued pursuant to the exercise of the conversion rights attached to the convertible notes issued by the Company; and (2) 76,768,000 shares were repurchased during the six months ended 30 June 2024.

After the Reporting Period, 18,164,000 shares were repurchased and 94,932,000 shares were cancelled on July 2024 respectively.

During the Reporting Period, the Company repurchased the shares on The Stock Exchange of Hong Kong Limited details as follows:

Month/year	Number of shares repurchased	Highest price	Lowest price	Aggregate price paid HK\$
		paid per share HK\$	paid per share HK\$	
May 2024	2,384,000	0.64	0.59	1,489,420
June 2024	74,384,000	0.73	0.65	50,992,880
	<u>76,768,000</u>	<u></u>	<u></u>	<u>52,482,300</u>

After the Reporting Period, the Company repurchased the shares on The Stock Exchange of Hong Kong Limited details as follows:

Month/year	Number of shares repurchased	Highest price	Lowest price	Aggregate price paid HK\$
		paid per share HK\$	paid per share HK\$	
July 2024	<u>18,164,000</u>	<u>0.74</u>	<u>0.72</u>	<u>13,439,220</u>

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company for the Reporting Period.

EVENTS AFTER REPORTING PERIOD

Save as disclosed herein, there were no significant events after 30 June 2024 and up to the date of this announcement.

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.

Assuming that there is no change in share capital of the Company since 30 June 2024 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 276,228,072 (the "Conversion Shares"), representing approximately 26.83% of the issued shares of the Company as at 30 June 2024 (i.e. 1,029,607,000 Shares) and approximately 21.15% of the issued shares of the Company as enlarged by the allotment and issue of the Conversion Shares (i.e. 1,305,835,072 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 2024		Upon full conversion of Convertible Notes as at 30 June 2024	
	Number of Shares	Approximately % of issued Shares	Number of Shares	Approximately % of issued Shares
Mr. Lin Wan Tsang	392,546,000	38.13%	668,774,072	51.21%
Wellmass International Limited	<u>268,000,000</u>	<u>26.03%</u>	<u>268,000,000</u>	<u>20.52%</u>

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\$16.2 million for the six months ended 30 June 2024, basic and diluted earnings per share of the Company amounted to HK1.7 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 2024 (HK\$ per share)	31 December 2025 (HK\$ per share)
Share prices	<u>0.55</u>	<u>0.55</u>

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 C1 (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 2024 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 an independent direct access to and complete an 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.

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 2024 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 2024, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix C3 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 2024.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK0.28 cent per Share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK0.29 cent per Share) to be payable on or around 29 October 2024 to the shareholders of the Company whose names appear on the register of members of the Company on 10 September 2024. As of the date of this announcement, Shares repurchased and cancelled were not included in 2024 interim dividend distribution.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 September 2024 to 10 September 2024, 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 4 September 2024.

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 2024 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, 21 August 2024

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

** For identification purpose only*