

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
2024



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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

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KY1-1108
Cayman Islands

HEADQUARTER OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

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Zhongshan City
Guangdong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITOR

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STOCK CODE

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**CAYMAN ISLANDS PRINCIPAL SHARE
REGISTRAR AND TRANSFER OFFICE**

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**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

Tricor Investor Services Limited
17/F, Far East Finance Centre
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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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 subsequent to 31 December 2023 and up to 30 June 2024	Remaining unutilized balance as at 30 June 2024	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 2024
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.

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 paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid 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
	76,768,000			52,482,300

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 paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$
July 2024	18,164,000	0.74	0.72	13,439,220

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.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER REPORTING PERIOD

Save as disclosed herein, there were no significant events after 30 June 2024 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.

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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	268,000,000	26.03%	268,000,000	20.52%

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	0.55	0.55

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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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 13 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 2024 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

21 August 2024

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		16,473	17,508
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		12,664	1,400
Profit attributable to:			
Owners of the parent		16,189	17,210
Non-controlling interests		284	298
		16,473	17,508
Total comprehensive income attributable to:			
Owners of the parent		12,448	1,308
Non-controlling interests		216	92
		12,664	1,400
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic			
– For profit for the period		HK1.7 cents	HK1.9 cents
Diluted			
– For profit for the period		HK1.3 cent	HK1.3 cent

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 ASSETS			
Property, plant and equipment	8	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
Total non-current assets		186,521	218,886
CURRENT ASSETS			
Inventories		27,840	26,012
Trade and bills receivables	9	28,971	30,501
Prepayments, other receivables and other assets		14,506	2,728
Short-term treasury investments		11,689	25,411
Financial assets at fair value through profit or loss		9,754	—
Cash and cash equivalents		23,729	39,500
Total current assets		116,489	124,152
CURRENT LIABILITIES			
Trade and bills payables	10	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
Total current liabilities		24,939	19,114
NET CURRENT ASSETS		91,550	105,038
TOTAL ASSETS LESS CURRENT LIABILITIES		278,071	323,924

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
Total non-current liabilities		5,969	6,930
Net assets		272,102	316,994
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	10,296	9,116
Treasury Shares		(52,622)	—
Equity component of convertible notes	14	151,926	216,826
Reserves		158,790	86,740
		268,390	312,682
Non-controlling interests		3,712	4,312
Total equity		272,102	316,994

.....
Lin Wan Tsang

Director

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Dong Jiangxiong

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	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 convertible notes HK\$'000	Reserve funds HK\$'000	Fair value reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 31 December 2023 (audited)	9,116	—	655,075	111,196	(900,000)	216,826	53,935	719	(24,404)	190,219	312,682	4,312	316,994
Profit for the period	—	—	—	—	—	—	—	—	—	16,189	16,189	284	16,473
Other comprehensive loss for the period:													
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	(184)	—	—	(184)	(2)	(186)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(3,557)	—	(3,557)	(66)	(3,623)
Total comprehensive loss for the period	—	—	—	—	—	—	—	(184)	(3,557)	16,189	12,448	216	12,664
Exercise of the conversion rights attached to the Convertible Notes	1,180	—	63,720	—	—	(64,900)	—	—	—	—	—	—	—
Shares repurchased	—	(52,622)	—	—	—	—	—	—	—	—	(52,622)	—	(52,622)
Transfer from retained profits	—	—	—	—	—	—	2,047	—	—	(2,047)	—	—	—
Dividends paid	—	—	(4,118)	—	—	—	—	—	—	—	(4,118)	(816)	(4,934)
At 30 June 2024 (unaudited)	10,296	(52,622)	714,677	111,196	(900,000)	151,926	55,982	535	(27,961)	204,361	268,390	3,712	272,102

	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 convertible notes HK\$'000	Reserve funds HK\$'000	Fair value reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		21,255	22,467
Adjustments for:			
Finance costs		9	8
Interest income		(319)	(266)
Gain on derecognition of treasury investments		(477)	(215)
Loss on disposal of property, plant and equipment		119	4
Depreciation of items of property, plant and equipment	4	8,418	9,552
Depreciation of right-of-use assets	4	330	245
Reversal of write-down of inventories to net realisable value	4	(155)	(51)
Impairment losses/(reversal of impairment losses) on financial assets, net	4	(489)	156
		28,691	31,900
Increase in inventories		(1,620)	(4,555)
Increase in trade and bills receivables		(7,682)	(11,329)
Decrease/ (Increase) in prepayments, deposits and other receivables		600	(2,151)
Decrease in amounts due from related parties		9,719	738
Increase in trade and bills payables		3,071	2,420
Decrease in other payables and accruals		(2,911)	(1,752)
Decrease in deferred income		(125)	(230)
Cash generated from operations		29,743	15,041
Withholding tax paid		(3,014)	(2,294)
PRC corporate income tax paid		(1,195)	(2,099)
Net cash flows from operating activities		25,534	10,648

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(4,320)	(1,899)
Proceeds from disposal of items of property, plant and equipment		95	10
Purchases of treasury investments		(9,754)	(87,570)
Proceeds from sales or upon maturities of treasury investments		37,333	33,768
Interest received from banks		319	266
Net cash flows from/(used in) investing activities		23,673	(55,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(36)	(211)
Interest paid		(9)	(8)
Dividends paid to owners of the parent		—	(3,427)
Dividends paid to non-controlling interests		(816)	(266)
Share repurchased		(65,000)	(20,000)
Principal portion of lease payments		(114)	(250)
Net cash flows used in financing activities		(65,975)	(24,162)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		39,500	112,790
Effect of foreign exchange rate changes, net		997	(5,273)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		23,729	38,578

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (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 HK\$'000 (Unaudited)	2023 HK\$'000 (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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Cost of inventories sold	84,228	87,203
Reversal of write-down of inventories to net realisable value	(155)	(51)
Impairment losses/(reversal of impairment losses) of financial assets, net	(489)	156
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
Exchange differences, net	574	(236)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	15,603	15,136
Pension scheme contributions	1,190	1,072

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 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current - Chinese Mainland	5,482	5,212
Deferred	(700)	(253)
	4,782	4,959

6. DIVIDENDS

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Proposed interim – HK 0.28 cent (2023: HK0.29 cent) per ordinary share	2,679	2,760

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	16,189	17,210
	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 (note 14)	276,228,072	444,228,072
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	1,207,653,264	1,347,833,139

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets with a cost of HK\$4,320,000 (30 June 2023: HK\$ 1,938,000).

Assets with a net book value of HK\$215,000 were disposed of by the Group during the six months ended 30 June 2024 (30 June 2023: HK\$14,000), resulting in a net loss on disposal of HK\$119,000 (30 June 2023: a net loss in total of HK\$4,000).

During the six months ended 30 June 2024 and 2023, no impairment loss was recognised by the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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 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
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.

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 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
Total	7,211	4,140

11. COMMITMENTS

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	756	525

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

12. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 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)	427	1,329
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)	7,161	11,428
Total		7,588	12,757
Lease rental expenses charged by:			
Mr. Lin Wan Tsang	(ii)	33	33

Notes:

- (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 a related party:

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 2023: 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\$1,489,000 (31 December 2023: HK\$11,209,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

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

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Fees	1,009	1,009
Salaries, allowances and benefits in kind	335	574
Pension scheme contributions	36	35
Total compensation paid to key management personnel	1,380	1,618

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

13. SHARE CAPITAL

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Authorised 1,500,000,000 (31 December 2023: 1,500,000,000) ordinary shares of HK\$0.1	15,000,000	15,000,000
Issued and fully paid 1,029,607,000 (31 December 2023: 911,607,000) ordinary shares of HK\$0.1	10,296,070	9,116,070
Equivalent to HK\$'000	10,296	9,116

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK\$'000
At 31 December 2023 and 1 January 2024 (audited)		911,607,000	9,116
Convertible Notes converted	(i)	118,000,000	1,180
At 30 June 2024 (unaudited)		1,029,607,000	10,296

Note:

- (i) In January and June 2024, 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\$64,900,000 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 29.93% of the Convertible Notes with a principal amount of HK\$216,825,440 held by the vendor. In accordance with the conversion requirement, 118,000,000 conversion shares were resolved to be allotted and issued by the Company to the vendor in 2024.

In May and June 2024, 76,768,000 ordinary shares were repurchased but not yet cancelled by the Company at 30 June 2024. And those shares repurchased but not yet cancelled were not included in 2024 interim dividend distribution.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

14. 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.

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

14. CONVERTIBLE NOTES *(continued)***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 and July 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\$55,000,000 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 20.23% of the Convertible Notes with a principal amount of HK\$271,825,440 held by the vendor. In accordance with the conversion requirement, 100,000,000 conversion shares were resolved to be allotted and issued by the Company to the vendor in 2023.

As at 30 June 2024, the outstanding principal amount of the Convertible Notes was HK\$151,925,440 and the outstanding Convertible Notes were convertible into 276,228,072 conversion shares based on the new conversion price of HK\$0.55 per conversion share instead of 140,671,703 conversion shares based on the initial conversion price of HK\$1.08 per conversion share.

15. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after 30 June 2024 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 2024, 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 C3 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	64.16%

Notes:

- (1) These percentages have been compiled based on the total number of issued Shares as at 30 June 2024 (i.e. 1,029,607,000 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)	151,925,440	276,228,072	26.83%

Notes:

1. These percentages have been compiled based on the total number of issued Shares as at 30 June 2024 (i.e. 1,029,607,000 Shares).
2. These convertible notes were issued by the Company on 8 July 2015 as part of the consideration to the acquisition of Topspan Holdings Limited and its subsidiaries on 20 May 2015. They are unlisted, interest-free and convertible into the Shares at the conversion price of HK\$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 2024, 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 2024, 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	26.03%

Notes:

- (1) These percentages have been compiled based on the total number of issued Shares as at 30 June 2024 (i.e. 1,029,607,000 Shares).
- (2) 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 2024, 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 2024 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 2024 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.

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 2024, no share options were granted, exercised, lapsed and cancelled under the Pre-IPO Share Option Scheme.

The number of shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme of the Company during the Period is nil, representing 0% of the weighted average number of shares of the relevant class in issue of the Company for the Period.

2013 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.

During the six months ended 30 June 2024, no Share options were granted, exercised, lapsed and cancelled under the Share Option Scheme. No further options will be granted by the Company pursuant to the 2013 Share Option Scheme.

The number of shares that may be issued in respect of options granted under the 2013 Share Option Scheme of the Company during the Period is nil, representing 0% of the weighted average number of shares of the relevant class in issue of the Company for the Period.

2023 SHARE OPTION SCHEME

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 2024, no share options were granted, exercised, lapsed and cancelled under the 2023 Share Option Scheme. The number of options available for grant under the scheme mandate of the 2023 Share Option Scheme as at 1 January 2024 and 30 June 2024 is 90,178,500.

The number of shares that may be issued in respect of options granted under the 2023 Share Option Scheme during the Period is nil, representing 0% of the weighted average number of shares of the relevant class in issue of the Company during the Period.

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.

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 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.

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 2024 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 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 report, 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.

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