

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



2020

INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Wan Tsang (*Chairman*)

Mr. Dong Jiangxiong

Non-executive Director

Mr. Kwok Tak Wang

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

Mr. Kwok Tak Wang

Dr. Lin Tat Pang

Mr. Yip Wai Man Raymond

Nomination Committee

Dr. Lin Tat Pang (*Chairman*)

Mr. Lin Wan Tsang

Mr. Kwok Tak Wang

Ms. Guo Yang

Mr. Yip Wai Man Raymond

Risk Management Committee

Mr. Yip Wai Man Raymond (*Chairman*)

Mr. Kwok Tak Wang

Dr. Lin Tat Pang

AUTHORIZED REPRESENTATIVES

Mr. Lin Wan Tsang

Ms. Ho Wing Yan (*ACIS, ACS (PE)*)

COMPANY SECRETARY

Ms. Ho Wing Yan (*ACIS, ACS (PE)*)

REGISTERED OFFICE

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

HEADQUARTER OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 5 Ya Bo Nan Road

National Health Technology Park of Zhongshan

Torch Development Zone

Zhongshan City

Guangdong Province

People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit G, 20/F., Golden Sun Centre

Nos. 59/67 Bonham Strand West

Sheung Wan

Hong Kong

Corporate Information

AUDITOR

Ernst & Young
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

STOCK CODE

6898

WEBSITE FOR THE COMPANY

www.6898hk.com

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
(formerly known as Estera Trust (Cayman) Limited)
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
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 240 mm with various features and shapes for our customers’ selection.

Our revenue is primarily derived from the sale of aluminum aerosol cans. Due to the impact of COVID-19 pandemic which caused the slowdown of economic globally and short term locked-down in the People’s Republic of China (“PRC”), the Group’s revenue for the six months ended 30 June 2020 recorded a significant decrease of approximately 21.6% as compared to the same period in 2019. For the six months ended 30 June 2020, revenue derived from the sale of aluminum aerosol cans was approximately HK\$98.6 million (six months ended 30 June 2019: approximately HK\$125.8 million).

OPERATING ENVIRONMENT AND PROSPECTS

The Group continues to face severe world-wide competition in the aluminum aerosol cans markets, especially from the increase in competition from small-sized overseas aerosol can manufacturers and the slowdown of growth in the consumable products and domestic demands in the PRC.

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

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2020, the Group's aluminum aerosol cans segment recorded a turnover of approximately HK\$98.6 million (six months ended 30 June 2019: approximately HK\$125.8 million), representing a significant decrease of approximately 21.6% as compared to the corresponding period of 2019. The number of aluminum aerosol cans sold by the Group for the six months ended 30 June 2020 was approximately 57.6 million (six months ended 30 June 2019: approximately 75.2 million). Since the world economy is shrouded in the shadow of the Sino-US trade war and the negative impact of COVID-19 pandemic, there are huge uncertainties and changes in global and the PRC economic development. As a result, the turnover for both the PRC and overseas market are decreasing.

PRC and overseas customers

The Group focused on PRC market, which the revenue from the PRC market amounted to 91.1% for the six months ended 30 June 2020 (six months ended 30 June 2019: 91.8%). For the six months ended 30 June 2020, the PRC customers and overseas customers contributed approximately HK\$89.9 million (six months ended 30 June 2019: approximately HK\$115.5 million) and HK\$8.7 million (six months ended 30 June 2019: approximately HK\$10.3 million) to the total revenue of the Group. There was a significant decrease of approximately 22.2% in sales from PRC customers was mainly due to decline in fast-moving personal care products market which was affected by slowdown of economic in PRC and the negative impact of COVID-19 pandemic. There was a significant decrease of approximately 15.5% in sales from the overseas customers was mainly due to competition from small-sized overseas aerosol can manufacturers and the negative impact of COVID-19 pandemic.

Cost of Sales

For the six months ended 30 June 2020, cost of sales of the Group amounted to approximately HK\$61.6 million (six months ended 30 June 2019: approximately HK\$77.5 million), which represented approximately 62.5% (six months ended 30 June 2019: approximately 61.6%) of the turnover. There was a slightly increase of approximately 0.9% in percentage of cost of sales which was mainly attributable to the net effects of (i) the decrease in unit raw materials costs in certain products; and (ii) the increase in unit production overhead costs because of decreasing in production scales, which shared a higher fixed overhead costs per unit.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK\$37.0 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$48.3 million), representing a significant decrease of approximately 23.4% as compared to the corresponding period of 2019. The decrease in gross profit was mainly driven by declining in revenue and a lower level of production scales, which increased the unit average costs. As a result, the gross profit margin decreased from approximately 38.4% for the six months ended 30 June 2019 to approximately 37.5% for the corresponding period of 2020.

Other Income and Gains

Other income and gains mainly comprise sale of scrap materials, income from the R&D design, government grants, bank interest income and exchange gains. For the six months ended 30 June 2020, other income and gains of the Group was approximately HK\$2.4 million (six months ended 30 June 2019: approximately HK\$6.1 million), representing a significant decrease of approximately 60.7% which was due to the net effects of (i) the significant decrease in sale of scrap material income; (ii) the increase in exchange gains; (iii) the increase in income of R&D design; and (iv) the increase in government grants.

Management Discussion and Analysis

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel and entertainment expenses, and advertisement and promotion costs. For the six months ended 30 June 2020, selling and distribution expenses were approximately HK\$3.7 million (six months ended 30 June 2019: approximately HK\$5.2 million), representing a decrease of approximately 28.8% as compared to the corresponding period of 2019. The decrease was primarily due to a significant decrease in transportation expenses of approximately HK\$0.6 million, which was in line with the decrease in sales, salaries and entertainments.

Administrative Expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, depreciation and other miscellaneous administrative expenses. For the six months ended 30 June 2020, administrative expenses were approximately HK\$10.0 million (six months ended 30 June 2019: approximately HK\$12.3 million), representing a decrease of approximately 18.7% as compared to the corresponding period of 2019. The decrease in administrative expenses was primarily due to the net effects of (i) the decrease in travelling expenses of approximately HK\$0.6 million; (ii) the significant decrease in professional fee and consulting fee of approximately HK\$0.7 million; and (iii) the decrease in salaries of approximately HK\$0.3 million.

Finance Costs

For the six months ended 30 June 2020, the finance costs of the Group were approximately HK\$66,000 (six months ended 30 June 2019: approximately HK\$97,000), representing a decrease of approximately 32.0% as compared to the corresponding period of 2019. The decrease in finance cost was mainly due to decrease in weighted average bank loans outstanding and decrease in average interest rate.

Net Profit

The Group's net profit from continuing operations amounted to approximately HK\$14.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$21.5 million), representing a decrease of approximately 33.8% as compared to the corresponding period in 2019. Net profit margin for the six months ended 30 June 2020 was approximately 14.4% (six months ended 30 June 2019: approximately 17.1%).

The decrease in net profit was mainly due to net effects of (i) the decrease in sales and production scales; (ii) the decrease in other income and gains; and (iii) the decrease in selling and administrative expenses due to cost control.

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 2020, the Group had net current assets of approximately HK\$97.0 million (31 December 2019: approximately HK\$84.0 million). The Group's cash and cash equivalents amounted to HK\$74.1 million as at 30 June 2020 (31 December 2019: HK\$51.7 million) which are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The current ratio of the Group was approximately 3.8 as at 30 June 2020 (31 December 2019: approximately 3.9).

Management Discussion and Analysis

Borrowings and the Pledge of Assets

As at 30 June 2020, the bank borrowings of the Group amounted to approximately HK\$10.7 million (31 December 2019: HK\$0.3 million), which were secured by our properties, plant and equipment and land use rights. All borrowings are charged with reference to bank's preferential floating rates of PRC and Hong Kong Interbank Offered Rate ("HIBOR"). All borrowings are denominated in Renminbi and Hong Kong dollars.

As at 30 June 2020, we had available unutilized banking facilities of approximately HK\$86.6 million (31 December 2019: approximately HK\$98.1 million).

Gearing Ratio

As a result of the decrease 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 -21.1% as at 30 June 2020 (31 December 2019: approximately -15%).

CAPITAL STRUCTURE

As at 30 June 2020, the total number of issued shares of the Company (the "Shares") was 901,785,000 (31 December 2019: 934,179,000).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 8.9% of the Group's revenue for the six months ended 30 June 2020 were denominated in United States dollars ("US\$"). However, over 90.0% of the production costs were settled in RMB. Therefore, there is a currency mismatch between US\$ revenue and RMB production costs, which gives rise to exposure to foreign exchange risk. Furthermore, there is a time lag between invoicing and final settlement from customers of export sales. The Group is exposed to foreign exchange risks if the foreign exchange rate at which the US\$ sales proceeds received from export sales is different from the rate at which the Group used to book the US\$ sales transactions at the time of sales.

During the six months ended 30 June 2020, we did not enter into any foreign currency forward contracts nor have any outstanding foreign currency forward contracts.

FORWARD PURCHASE OF ALUMINUM INGOTS

The major raw materials for the manufacture of aluminum aerosol cans are aluminum slugs which are processed from aluminum ingots. Aluminum ingots are widely used metal commodities, as such the price of aluminum ingots fluctuates depending on the market supply and demand conditions.

In order to avoid our business from being negatively impacted by substantial increases in the cost of aluminum ingots, it has been our practice to hedge part of our monthly estimated requirement of aluminum ingots through forward purchases and cover the remainder through purchases in the spot market. This practice enables us to average down our actual cost of aluminum ingots for production in the event of a significant increase in the spot price of aluminum ingots after our forward purchases.

During the period ended 30 June 2020, we had conducted forward purchases with the amount of approximately RMB7.0 million consisting of approximately 600 tonnes of aluminum ingots. As at 30 June 2020, we had outstanding forward purchases with notional amounts of RMB5.8 million involved with 520 tons of aluminum ingots.

Management Discussion and Analysis

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2020, the Group had a workforce of 271 employees (31 December 2019: 277 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$12.9 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$15.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of an individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to retain eligible employees of the Group. 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 2020.

SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Group did not have any significant investments (31 December 2019: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2020, 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 2020, 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 2019 (HK\$ million)	Actual amount utilized subsequent to 31 December 2019 and up to 30 June 2020 (HK\$ million)		Expected timeline for unutilised net proceeds
			Remaining unutilized balance as at 30 June 2020 (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 2020
Establish a new research and development laboratory	12.0	3.3	—	8.7	
Partially repay US\$ denominated bank loan	16.0	16.0	—	—	
General working capital purposes	4.0	4.0	—	—	
	80.0	71.3	—	8.7	

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

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTRACTUAL OBLIGATIONS

As at 30 June 2020, the Group's capital commitments amounted to approximately HK\$2.4 million (31 December 2019: HK\$1.7 million).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

32,394,000 Shares were repurchased in December 2019 and were cancelled during the six months ended 30 June 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2020.

EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2020 and up to the date of this report.

ISSUE OF THE CONVERTIBLE NOTES

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

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

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

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

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

Management Discussion and Analysis

Assuming that there is no change in share capital of the Company since 30 June 2020 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 494,228,072 (the "Conversion Shares"), representing approximately 54.81% of the issued share capital of the Company as at 30 June 2020 (i.e. 901,785,000 Shares) and approximately 35.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (i.e. 1,396,013,072 Shares).

Dilution effect of the conversion of Convertible Notes

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

Substantial Shareholders	As at 30 June 2020		Upon full conversion of Convertible Notes as at 30 June 2020	
	Number of Shares	Approximately % of issued Shares	Number of Shares	Approximately % of issued Shares
Mr. Lin Wan Tsang	392,546,000	43.53	886,774,072	63.52
Wellmass International Limited	268,000,000	29.72	268,000,000	19.20

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

Dilution impact on earnings per share

As calculated based on profit attributable to owners of the Company of approximately HK\$14.2 million for the six months ended 30 June 2020, basic and diluted earnings per share of the Company amounted to HK1.6 cents and HK1.0 cents, 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 2020 (HK\$ per share)	31 December 2021 (HK\$ per share)
Share prices	0.55	0.55

Report on Review of Interim Condensed Consolidated Financial Statements



Independent review report
To the board of directors of China Aluminum Cans Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 29, 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 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other 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
17 August 2020

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	3	98,573	125,799
Cost of sales		(61,556)	(77,458)
Gross profit		37,017	48,341
Other income and gains		2,414	6,051
Selling and distribution expenses		(3,692)	(5,193)
Administrative expenses		(10,033)	(12,344)
Research and development expenses		(4,873)	(6,587)
Impairment losses on financial and contract assets		(684)	(462)
Other expenses		(1,192)	(1,660)
Finance costs		(66)	(97)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	4	18,891	28,049
Income tax expense	5	(4,648)	(6,544)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		14,243	21,505
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		—	15,569
PROFIT FOR THE PERIOD		14,243	37,074
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(6,941)	(818)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(6,941)	(818)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7,302	36,256
Profit attributable to:			
Owners of the parent		13,988	36,175
Non-controlling interests		255	899
		14,243	37,074

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Total comprehensive income attributable to:			
Owners of the parent		7,138	35,367
Non-controlling interests		164	889
		7,302	36,256
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7		
– For profit for the period		HK1.6 cents	HK3.9 cents
– For profit from continuing operations		HK1.6 cents	HK2.3 cents
Diluted			
– For profit for the period		HK1.0 cents	HK3.0 cents
– For profit from continuing operations		HK1.0 cents	HK1.7 cents

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	214,997	224,409
Right-of-use assets		12,364	12,959
Deferred tax assets		862	793
Non-current prepayments		631	634
Total non-current assets		228,854	238,795
CURRENT ASSETS			
Inventories		29,976	32,049
Trade and bills receivables	9	22,413	22,844
Prepayments, deposits and other receivables		5,445	5,885
Cash and cash equivalents		74,096	51,698
Total current assets		131,930	112,476
CURRENT LIABILITIES			
Trade and bills payables	10	3,998	4,304
Other payables and accruals		17,697	23,543
Interest-bearing bank and other borrowings	11	10,701	260
Tax payable		2,303	172
Deferred income		192	196
Total current liabilities		34,891	28,475
NET CURRENT ASSETS		97,039	84,001
TOTAL ASSETS LESS CURRENT LIABILITIES		325,893	322,796
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,866	2,069
Deferred income		1,661	1,792
Total non-current liabilities		3,527	3,861
Net assets		322,366	318,935

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	9,018	9,342
Equity component of convertible notes	15	271,826	271,826
Reserves		37,072	33,028
		317,916	314,196
Non-controlling interests		4,450	4,739
Total equity		322,366	318,935

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent											
	Share capital HK\$'000 (note 12)	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of convertible notes HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 31 December 2019 (audited)	9,342	641,155	111,196	(900,000)	1,986	271,826	43,070	(14,580)	150,201	314,196	4,739	318,935
Profit for the period	—	—	—	—	—	—	—	—	13,988	13,988	255	14,243
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(6,850)	—	(6,850)	(91)	(6,941)
Total comprehensive income for the period	—	—	—	—	—	—	—	(6,850)	13,988	7,138	164	7,302
Shares repurchased and cancelled	(324)	—	—	—	—	—	—	—	243	(81)	—	(81)
Transfer from retained profits	—	—	—	—	—	—	1,842	—	(1,842)	—	—	—
Dividends paid	—	(3,337)	—	—	—	—	—	—	—	(3,337)	(453)	(3,790)
At 30 June 2020 (unaudited)	9,018	637,818	111,196	(900,000)	1,986	271,826	44,912	(21,430)	162,590	317,916	4,450	322,366

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent											Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of convertible notes HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 31 December 2018 (audited)	9,342	677,488	111,196	(962,722)	1,986	276,146	86,629	(22,754)	407,340	584,651	12,814	597,465
Profit for the period	—	—	—	—	—	—	—	—	36,175	36,175	899	37,074
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(808)	—	(808)	(10)	(818)
Total comprehensive income for the period	—	—	—	—	—	—	—	(808)	36,175	35,367	889	36,256
Distribution of Precious Dragon Group (note 6)	—	(16,221)	—	62,722	—	—	(46,950)	13,742	(272,593)	(259,300)	(8,159)	(267,459)
Transfer from retained profits	—	—	—	—	—	—	2,695	—	(2,695)	—	—	—
Exercise the conversion rights attached to the Convertible Notes	40	4,280	—	—	—	(4,320)	—	—	—	—	—	—
Dividends paid	—	(20,452)	—	—	—	—	—	—	—	(20,452)	(507)	(20,959)
At 30 June 2019 (unaudited)	9,382	645,095	111,196	(900,000)	1,986	271,826	42,374	(9,820)	168,227	340,266	5,037	345,303

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		18,891	28,049
From a discontinued operation		—	23,490
Adjustments for:			
Finance cost		66	1,783
Interest income		(285)	(628)
Loss on disposal of properties, plant and equipment		9	9
Depreciation of items of property, plant and equipment	4	9,857	19,119
Depreciation of right-of-use assets/recognition of prepaid land lease payments	4	346	956
Impairment of inventories, net	4	—	827
Impairment of trade receivables	4	684	2,121
		29,568	75,726
Decrease/(increase) in inventories		2,073	(17,339)
Decrease in trade and bills receivables		1,248	14,163
Decrease in prepayments, deposits and other receivables		451	146
Increase in an amount due from related parties		(1,513)	(1,046)
Decrease in trade and bills payables		(306)	(9,279)
Decrease in deposits received, other payables and accruals		(5,806)	(2,597)
(Decrease)/increase in an amount due to related parties		(39)	2,193
Decrease in deferred income		(135)	(498)
		25,541	61,469
Cash received from operations		25,541	61,469
Interest element on lease liabilities		(6)	—
Withholding tax paid		(1,632)	(4,648)
PRC corporate income tax paid		(216)	(6,529)
		23,687	50,292
Net cash flows from operating activities		23,687	50,292

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(4,748)	(20,258)
Proceeds from disposal of items of property, plant and equipment		—	140
Decrease in pledged bank deposits		—	600
Interest received from bank		285	628
Net cash flows used in investing activities		(4,463)	(18,890)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased and cancelled		(81)	—
New bank loans		10,573	15,000
Repayment of bank loans		—	(53,392)
Interest paid		(60)	(1,783)
Dividends paid to owners of the parent		(3,337)	(20,452)
Dividends paid to non-controlling shareholders		(410)	(507)
Principal portion of lease payments		(128)	—
Distribution of Precious Dragon Group		—	(133,744)
Net cash flows from/(used in) financing activities		6,557	(194,878)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		25,781	(163,476)
Net foreign exchange difference		(3,383)	(317)
Cash and cash equivalents at beginning of period		51,698	228,149
CASH AND CASH EQUIVALENTS AT END OF PERIOD		74,096	64,356

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019.

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 2019, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2020 for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

3. REVENUE FROM CONTINUING OPERATIONS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	98,573	125,799

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Type of goods		
Sale of industrial products	98,573	125,799
Geographical markets		
Mainland China	89,832	115,543
Africa	540	1,572
America	5,067	3,817
Asia	3,134	4,361
Middle East	—	200
Japan	—	306
Total revenue from contracts with customers	98,573	125,799
Timing of revenue recognition		
Goods transferred at a point in time	98,573	125,799

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

4. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories sold	61,556	77,458
Depreciation	9,857	10,381
Depreciation of right-of-use assets (2019: Amortisation of prepaid land lease payments)	346	229
Research and development costs	4,873	6,587
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	12,882	15,945
Pension scheme contributions	291	1,544
	13,173	17,489
Exchange (gains)/losses, net	(759)	685
Impairment of trade receivables	684	462
Reversal of provision for write-down of inventories to net realisable value	—	(7)

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current – Mainland China	3,321	4,871
Current – Hong Kong	1,615	1,829
Deferred	(288)	(156)
Total tax charge for the period from continuing operations	4,648	6,544
Total tax charge for the period from a discontinued operation	—	7,921
	4,648	14,465

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

6. DIVIDENDS

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Distribution of Precious Dragon Group ¹	—	259,300
Final declared and paid – HK0.37 cent (2019: HK2.18 cents) per ordinary share	3,337	20,452
Proposed interim – HK0.23 cent (2019: HK0.42 cent) per ordinary share	2,074	3,940

- ¹ In 2018, the Company proposed to spin-off and separately list the shares of the aerosol and non-aerosol products business of the Group under Precious Dragon Technology Holdings Limited (the “Precious Dragon”, together with its subsidiaries, the “Precious Dragon Group”) on the Main Board (the “Main Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

On 28 September 2018, Precious Dragon submitted an application to the Stock Exchange for the listing by way of introduction of, and permission to deal in the shares of Precious Dragon on the Main Board of the Stock Exchange.

On 14 June 2019, the Company’s Board of Directors declared a conditional distribution in specie of all the issued share capital of the Precious Dragon Group to the Company’s qualifying shareholders. On 21 June 2019, the shares of the Precious Dragon Group were listed on the Stock Exchange and the Precious Dragon Group ceased to be a subsidiary of the Company thereafter.

The entire issued share capital of the Precious Dragon Group was spun-off via a distribution in specie completed on 21 June 2019. The net assets attributable to the Precious Dragon Group, subject to the distribution to the Company’s shareholders, amounted to approximately HK\$259,300,000.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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 the 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	13,988	36,175
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	901,785,000	937,512,333
Effect of dilution – weighted average number of ordinary shares:		
Share options	—	73,615
Convertible Notes (note 15)	494,228,072	251,690,222
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	1,396,013,072	1,189,276,170

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of HK\$4,751,000 (30 June 2019:HK\$8,492,000).

Assets with a net book value of HK\$9,000 were disposed by the Group during the six months ended 30 June 2020 (30 June 2019: HK\$109,431,000), resulting a net loss on disposal of HK\$9,000 (30 June 2019: a net gain in total HK\$34,000).

During the six months ended 30 June 2020 and 2019, no impairment loss was recognised by the Group.

9. TRADE AND BILLS RECEIVABLES

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	15,743	10,199
31 to 60 days	1,980	3,207
61 to 90 days	830	792
Over 90 days	3,860	8,646
	22,413	22,844

10. TRADE AND BILLS PAYABLES

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	3,302	2,946
31 to 60 days	304	273
61 to 90 days	163	166
Over 90 days	229	919
	3,998	4,304

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
Current						
Lease liabilities	2.563%~5.125%	2020	128	2.563%~5.125%	2020	260
Interest-bearing bank loans – secured	LPR-1%	2021	10,573			—
			10,701			260

Note:

“LPR” stands for Loan Prime Rate offered by a commercial bank to its prime clients.

12. SHARE CAPITAL

In December 2019, the Company purchased 32,394,000 of its shares on the Hong Kong Stock Exchange for a total consideration of HK\$18,253,000 which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. In February 2020, the purchased shares were cancelled and the total amount paid for the purchase of the shares of HK\$81,000 has been charged to retained profits of the Company.

13. COMMITMENTS

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	2,365	1,709

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

14. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sales of products to:			
Guangzhou Botny Chemical Co., Ltd. ("Botny Chemical") (廣州保賜利化工有限公司)	(i)	1,377	230
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)	21,097	245
Total		22,474	475
Lease rental expenses charged by:			
Mr. Lin Wan Tsang *	(ii)	33	48

* The director of the Company

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

(b) Outstanding balances with related parties:

The Group had an outstanding balance due to its related companies controlled by the ultimate shareholder of the Company amounting to nil (31 December 2019: HK\$39,000) 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\$3,142,000 (31 December 2019: HK\$1,640,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

14. RELATED PARTY TRANSACTIONS *(continued)*

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Fees	1,516	2,614
Salaries, allowances and benefits in kind	1,205	1,849
Pension scheme contributions	46	106
Total compensation paid to key management personnel	2,767	4,569

15. CONVERTIBLE NOTES

Background

On 20 May 2015, the Group acquired a 100% interest in the Topspan Group from Mr. Lin Wan Tsang, the controlling shareholder of the Company. The Topspan Group is engaged in the content 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 to 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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

15. CONVERTIBLE NOTES *(continued)*

Background *(continued)*

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.

Adjustment to the conversion price of the Convertible Notes

As mentioned in note 6, on 21 June 2019, the Company completed the distribution of Precious Dragon Group to its shareholders. Pursuant to the terms of the Convertible Note, if the Company make any capital distribution to shareholders, the conversion price of the Convertible Note in force prior to such capital distribution 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 enter into the proposed amendments (the "Amendment") to:

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

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

During the year, no conversion shares were converted. As at 30 June 2020, the outstanding principal amount of the Convertible Note was HK\$271,825,440 and the outstanding Convertible Note was convertible into 494,228,072 conversion shares based on the new conversion price of the HK\$0.55 per conversion share instead of 251,690,222 conversion shares based on the initial conversion price of the HK\$1.08 per conversion share.

Other Information

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

As at 30 June 2020, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(i) Long positions in the Shares and underlying Shares of the shares options granted under the Pre-IPO Share Option Scheme of the Company

Names of Directors	Number of Ordinary Shares		Interests in underlying Shares	Total	Approximate percentage of the issued Shares (Note 2)
	Beneficial owner	Interests in a controlled corporation	Share options (Note 1)		
Mr. Lin Wan Tsang ("Mr. Lin")	392,546,000	268,000,000 (Note 3)	–	660,546,000	73.25%
Mr. Kwok Tak Wang	1,200,000	–	800,000	2,000,000	0.22%

Notes:

- (1) These share options represent the awarded underlying Shares granted to the Directors under a pre-IPO share option scheme of the Company (the "Pre-IPO Share Option Scheme") which was adopted on 20 June 2013. Details of the Pre-IPO Share Option Scheme have been disclosed in the section headed "Pre-IPO Share Option Scheme".
- (2) These percentages have been compiled based on the total number of issued Shares as at 30 June 2020 (i.e. 901,785,000 Shares).
- (3) These Shares are held by Wellmass International Limited ("Wellmass"), which is wholly and beneficially owned by Mr. Lin.

Other Information

(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)	271,825,440	494,228,072	54.81%

Notes:

1. These percentages have been compiled based on the total number of issued Shares as at 30 June 2020 (i.e. 901,785,000 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 2020, 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 2020, 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	29.72%

Notes:

- (1) These percentages have been compiled based on the total number of issued Shares as at 30 June 2020 (i.e. 901,785,000 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 2020, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' 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 2020 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 "Directors' 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 2020 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 the Pre-IPO Share Option Scheme on 20 June 2013, which became effective on 12 July 2013 (the "Listing Date") and options in respect of 17,490,000 Shares under the Pre-IPO Share Option Scheme had been granted on 21 June 2013. The Company also conditionally adopted a share option scheme on 20 June 2013 (the "Share Option Scheme"), which became effective on the Listing Date and no option had been granted by the Company up to the date of this report.

Other Information

PRE-IPO SHARE OPTION SCHEME

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

Initially, options to subscribe for an aggregate of 17,490,000 Shares had been granted to the Grantees. The total number of securities available for issue under the Pre-IPO Share Option Scheme is 800,000 Shares, representing approximately 0.09% of the total issued Shares 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)

Set out below is further information on the outstanding share options granted under the Pre-IPO Share Option Scheme as at 30 June 2020:

Names of the Grantees	Number of share options					Outstanding as at 30 June 2020	Exercise price per Share HK\$	Weighted average closing price of the Share before the date(s) of which shares options were exercised HK\$
	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Director								
Kwok Tak Wang	800,000	-	-	-	-	800,000	0.7	-
Total	800,000	-	-	-	-	800,000		

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

SHARE OPTION SCHEME

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

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

Subject to the terms and conditions of the Share Option Scheme, 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 Listing Date (i.e. 40,000,000 Shares) unless approved by the shareholders of the Company.

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme and the total number of securities available for issue under the Share Option Scheme is 40,000,000 Shares, represented approximately 4.44% of the issued Shares as at the date of this report.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are set out below:

- Mr. Yip Wai Man, Raymond has been re-designated from a member of the risk management committee of the Company to the chairman of the risk management committee of the Company with effect from 30 June 2020.

Other Information

AUDIT COMMITTEE

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

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements matters of the Group for the six months ended 30 June 2020 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 B.1.2(a) to (h). The Remuneration Committee comprises a total of five members, being one executive Director, namely, Mr. Lin Wan Tsang, one non-executive Director, namely, Mr. Kwok Tak Wang, 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 five members, being one executive Director, namely, Mr. Lin Wan Tsang, one non-executive Director, namely, Mr. Kwok Tak Wang, and three independent non-executive Directors, namely, Dr. Lin Tat Pang (Chairman), Ms. Guo Yang and Mr. Yip Wai Man Raymond. Accordingly, a majority of the members are independent non-executive Directors.

RISK MANAGEMENT COMMITTEE

The risk management committee of the Company (the "Risk Management Committee") was established on 24 June 2013, with specific written terms of reference for reviewing and approving the hedging policies as formulated by the hedging team of the Company (the "Hedging Team") and reporting to the Board as to whether the hedging policies have been duly following by the Hedging Team. The Risk Management Committee is authorized to separate and independent direct access to and complete and open communication with the Group's management to allow them to fulfill their duties. The Risk Management Committee comprises a total of three members, being one non-executive Director, namely, Mr. Kwok Tak Wang, and two independent non-executive Directors, namely, Mr. Yip Wai Man Raymond (Chairman) and Dr. Lin Tat Pang. Accordingly, a majority of the members are non-executive Director and independent non-executive Directors.

The Risk Management Committee has reviewed the hedging policies regarding its activities in forward purchases of aluminum ingots and entering into foreign currency forward contracts statements of the Group for the six months ended 30 June 2020 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 2020, except the CG Code provision A.2.1.

Pursuant to the CG Code provision A.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 2020 and to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors’ securities transactions. All Directors have confirmed that, following specific enquiries made by the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 June 2020.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK0.23 cent per Share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK0.42 cent per Share) to be payable on or around 30 October 2020 to the shareholders of the Company whose names appear on the register of members of the Company on 7 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 September 2020 to 7 September 2020, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 2 September 2020.

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