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CHINA ALUMINUM CANS HOLDINGS LIMITED**中國鋁罐控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

**CONNECTED TRANSACTION —
PROPOSED AMENDMENTS TO THE TERMS AND
CONDITIONS OF
THE CONVERTIBLE NOTE DUE 2020****PROPOSALS FOR
GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS**

AND

NOTICE OF ANNUAL GENERAL MEETING

Financial adviser to the Company



RAINBOW CAPITAL (HK) LIMITED
宏博資本有限公司

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those set out in the section headed "Definitions" of this circular.

A notice convening the AGM to be held at 2:30 p.m. on Friday, 15 May 2020 at Room Diamond, Level 22, Nexus Building, 41 Connaught Road Central, Hong Kong is set out on pages AGM-1 to AGM-6 of this circular. A form of proxy for use at the AGM is enclosed with this circular.

A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 23 of this circular. A letter from Opus Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 39 of this circular.

Whether or not you intend to attend the AGM, you are advised to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case may be) if you so wish.

9 April 2020

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital of Topspan and its subsidiaries by Euro Asia Investment, a wholly-owned subsidiary of the Company, in May 2015
“Adjusted Conversion Price”	HK\$0.46 per Conversion Share, which was adjusted as a result of the Spin-off, with effect from 15 June 2019, in accordance with the terms and conditions of the Convertible Note
“AGM”	the annual general meeting of the Company to be convened at Room Diamond, Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong on Friday, 15 May 2020 at 2:30 p.m.
“Approved Merchant Bank”	a merchant bank or other reputable financial institution in Hong Kong selected by the Company
“Articles”	the articles of association adopted by the Company, and as amended from time to time by resolution of the Shareholders
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of the Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm warning is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“Chairman”	the chairman of the Board
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Company”	China Aluminum Cans Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 6898)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules

DEFINITIONS

“Conversion Date”	the date the holder of such Convertible Note delivers the duly completed conversion notice together with other documents at the Company’s principal place of business in Hong Kong
“Convertible Note”	the convertible note issued by the Company to Mr. Lin to satisfy part of the consideration for the Acquisition. As at the Latest Practicable Date, the outstanding principal amount of the Convertible Note was HK\$271,825,440 which was convertible into 251,690,222 Conversion Shares which the Directors are authorised to allot and issue based on the Initial Conversion Price pursuant to a specific mandate approved by the independent shareholders of the Company on 16 December 2014
“Conversion Price Adjustment”	the adjustment of the conversion price of the Convertible Note from the Initial Conversion Price to the Adjusted Conversion Price as a result of the Spin-off in accordance with the terms and conditions of the Convertible Note
“Conversion Price Revision”	the proposed revision of the conversion price of the Convertible Note from the Adjusted Conversion Price to the New Conversion Price pursuant to the Deed of Amendment
“Conversion Share(s)”	the new Share(s) to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Note
“Deed of Amendment”	the deed of amendment dated 24 March 2020 executed by the Company and Mr. Lin in relation to the Proposed Amendments
“Director(s)”	the director(s) of the Company
“Extension”	the proposed extension of the maturity date of the Convertible Note from 20 May 2020 to 20 May 2025 pursuant to the Deed of Amendment
“Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors to the effect that any Shares repurchased under the Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Issue Mandate
“EUR”	Euros, the lawful currency of the European Union
“Euro Asia Investments”	Euro Asia Investments Global Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee, comprising the four independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, formed for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Proposed Amendments
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments
“Independent Shareholders”	the Shareholders other than Mr. Lin and his associates
“Initial Conversion Price”	HK\$1.08 per Conversion Share
“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate amount of the shares of the Company in issue as at the date of passing the relevant resolution at the AGM
“Latest Practicable Date”	2 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lin”	Mr. Lin Wan Tsang, an executive Director, the chairman of the Board and the controlling shareholder of the Company
“Market Price”	the average of the closing prices of one Share on the Stock Exchange for the 5 consecutive dealing days on each of which there is a closing price ending on the last such dealing day immediately preceding the day on or as of which the market price is to be ascertained

DEFINITIONS

“New Conversion Price”	HK\$0.55 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Note
“Nomination Committee”	the nomination committee of the Company
“PRC”	the People’s Republic of China
“Precious Dragon”	Precious Dragon Technology Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1861)
“Proposed Amendments”	the proposed amendments to the terms and conditions of the Convertible Note pursuant to the Deed of Amendment, which comprise the Extension and the Conversion Price Revision
“Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Company in respect of the Proposed Amendments
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to enable them during the relevant period to repurchase Shares, the aggregate nominal amount of which shall not exceed 10% of the aggregate amount of the shares of the Company in issue as at the date of passing the relevant resolution at the AGM
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) from time to time
“Spin-off”	the spin-off and separate listing of the shares of Precious Dragon on the Main Board of the Stock Exchange by way of introduction implemented by means of a distribution in specie of the entire issued share capital of Precious Dragon owned by the Company to the Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs

DEFINITIONS

“Topspan”	Topspan Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of Precious Dragon
“US\$”	United States dollars, the lawful currency of United States of America
“%”	per cent

LETTER FROM THE BOARD

CHINA ALUMINUM CANS HOLDINGS LIMITED

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

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. Chung Yi To

Mr. Yip Wai Man Raymond

Registered office:

Clifton House, 75 Fort Street

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit G, 20/F., Golden Sun Centre

Nos. 59/67 Bonham Strand West

Sheung Wan

Hong Kong

9 April 2020

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION —
PROPOSED AMENDMENTS TO THE TERMS AND
CONDITIONS OF
THE CONVERTIBLE NOTE DUE 2020**

**PROPOSALS FOR
GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS**

AND

NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with (i) further information on the details of the Proposed Amendments; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Proposed Amendments; (iii) the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Amendments; (iv) the Issue Mandate, the Repurchase Mandate and the Extension Mandate;

LETTER FROM THE BOARD

(v) the re-election of the Directors; (vi) the notice of the AGM; and (vii) other information as required under the Listing Rules. This circular also contains the explanatory statement and gives all the information reasonably necessary to enable the Shareholders to make informed decisions on whether to vote for or against the resolutions to be proposed at the AGM.

A notice convening the AGM is set out on pages AGM-1 to AGM-6 of this circular.

References are made to (i) the announcements of the Company dated 3 October 2014, 16 December 2014, 13 March 2015 and 16 March 2015 and the circulars of the Company dated 29 November 2014 and 31 March 2015 in relation to the Acquisition and the issue of the Convertible Note; (ii) the announcements of the Company dated 28 September 2018, 2 April 2019, 17 May 2019 and 29 May 2019 in relation to the Spin-off; and (iii) the announcements of the Company dated 20 February 2020, 21 February 2020 and 24 March 2020 in relation to the Proposed Amendments.

The Board is pleased to announce that on 24 March 2020 (after trading hours), after further negotiation, the Company and Mr. Lin, the holder of the Convertible Note, entered into the Deed of 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 Proposed Amendments, other terms and conditions of the Convertible Note remain unchanged. The entering into of the Deed of Amendment constitutes a connected transaction for the Company and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

BACKGROUND

The Acquisition

On 3 October 2014, Euro Asia Investments, a wholly-owned subsidiary of the Company, and Mr. Lin, a Director, the chairman of the Board and the controlling shareholder of the Company, entered into a sale and purchase agreement, pursuant to which Euro Asia Investments conditionally agreed to purchase from Mr. Lin the entire issued share capital of Topspan at a total consideration of HK\$900 million which shall be satisfied as to HK\$120 million by cash and as to HK\$780 million by the issuance of the Convertible Note.

The Acquisition and the transactions contemplated thereunder were approved by the independent shareholders of the Company in the extraordinary general meetings held by the Company on 16 December 2014 and 22 April 2015.

LETTER FROM THE BOARD

Completion of the Acquisition took place on 20 May 2015 and the Convertible Note was issued on 8 July 2015. Set out below are the details of the historical conversions of the Convertible Note since its issuance on 8 July 2015 and up to the Latest Practicable Date:

Date of conversion by Mr. Lin or transfer by Mr. Lin to other transferees	Holder of the Convertible Note or transferee	Principal amount of the Convertible Note converted or transferred	Number of Conversion Shares converted
9 July 2015 (<i>Note 1</i>)	Mr. Lin	HK\$108,000,000	100,000,000
14 July 2015 to 16 March 2016 (<i>Note 2</i>)	Various transferees	HK\$35,640,000	33,000,000
11 May 2017 (<i>Note 1</i>)	Mr. Lin	HK\$216,000,000	200,000,000
19 December 2017 (<i>Note 2</i>)	A transferee	HK\$39,454,560	36,532,000
21 December 2017 (<i>Note 1</i>)	Mr. Lin	HK\$104,760,000	97,000,000
27 December 2018 (<i>Note 2</i>)	A transferee	<u>HK\$4,320,000</u>	<u>4,000,000</u>
Total		<u>HK\$508,174,560</u>	<u>470,532,000</u>

Notes:

1. Represented conversion of part of the Convertible Note by Mr. Lin.
2. Represented transfer of part of the Convertible Note by Mr. Lin to independent third parties which subsequently exercised the conversion rights attached thereto.

As at the Latest Practicable Date, the outstanding principal amount of the Convertible Note was HK\$271,825,440 and the outstanding Convertible Note was convertible into 251,690,222 Conversion Shares which the Directors are authorised to allot and issue based on the Initial Conversion Price of HK\$1.08 per Conversion Share pursuant to a specific mandate (the “**Old Specific Mandate**”) approved by the independent shareholders of the Company on 16 December 2014. The Convertible Note shall mature on 20 May 2020.

The existing terms and conditions of the Convertible Note are set out as below:

Interest rate	:	The Convertible Note does not carry any interest.
Existing maturity date	:	20 May 2020
Conversion	:	The noteholder may at any time during the conversion period convert the whole or part (in multiples of HK\$1,000,000) of the principal amount of the Convertible Note into new Conversion Shares at the conversion price.

LETTER FROM THE BOARD

Subject to the conditions provided in the instrument constituting the Convertible Note, the Company may at any time during the conversion period by at least 7 days' prior notice in writing request the noteholder to convert certain amount of the Convertible Note as specified therein and the noteholder shall convert such amount of the Convertible Note registered in its names into Conversion Shares as so requested by the Company.

No fraction of a Conversion Share shall be issued on conversion.

Under the terms of the Convertible Note, the noteholder cannot convert the Convertible Note or part thereof if upon the exercise of the conversion rights under the Convertible Note,

- (i) the noteholder and parties acting in concert with it are under an obligation to make a mandatory offer under the Takeovers Code; or
- (ii) less than 25% or the minimum prescribed percentage as set out in the Listing Rules of the Company's issued shares would be held by the public.

In the event that the conversion of the Convertible Note on the maturity date will trigger the scenarios (i) and/or (ii) above, the noteholder shall be allotted and issued such number of Conversion Shares to the extent allowable under the said restrictions and as to the outstanding principal amount of the Convertible Note not being converted, the conversion rights attached thereto shall cease and the noteholder shall not be entitled to claim any cash or alternative form of settlement in respect thereof (the "**Original Conversion Term**").

Conversion price : HK\$0.46 per Conversion Share (subject to adjustments in accordance with the terms and conditions of the Convertible Note), which is the Adjusted Conversion Price from the Initial Conversion Price of HK\$1.08 per Conversion Share after the Conversion Price Adjustment, with effect from 15 June 2019. For details, please refer to the section headed "Adjustment to the conversion price of the Convertible Note" below.

LETTER FROM THE BOARD

Conversion Shares	:	As at the Latest Practicable Date, the outstanding principal amount of the Convertible Note was HK\$271,825,440 and the outstanding Convertible Note was convertible into 251,690,222 Conversion Shares which the Directors are authorised to allot and issue based on the Initial Conversion Price of HK\$1.08 per Conversion Share pursuant to the Old Specific Mandate.
Conversion period	:	The period commencing from the date of issue of the Convertible Note and ending on the maturity date
Redemption	:	The Company cannot redeem the Convertible Note or part thereof at any time on or before the maturity date.
Ranking	:	The Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares.
Voting rights	:	The Convertible Note does not confer any voting rights at any meetings of the Company.
Transferability	:	The Convertible Note may be transferred to any person with the Company's consent provided that such transfer shall comply with the Listing Rules and relevant laws and regulations.

The Spin-off

On 28 September 2018, the Company proposed to carry out a spin-off and separate listing of the shares of 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. Topspan is a direct wholly-owned subsidiary of Precious Dragon.

On 29 May 2019, the Board approved the Spin-off and declared a conditional distribution in specie of the entire issued share capital of Precious Dragon held by the Company, representing the entire issued share capital of Precious Dragon, to the Shareholders whose names appeared on the register of members of the Company on 14 June 2019.

The Spin-off was completed and the shares of Precious Dragon was listed on the Main Board of the Stock Exchange on 21 June 2019.

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ADJUSTMENT TO THE CONVERSION PRICE OF THE CONVERTIBLE NOTE

Pursuant to the terms and conditions of the Convertible Note, if the Company shall make any capital distribution (including distribution in specie) to holders of Shares, the conversion price of the Convertible Note in force immediately prior to such capital distribution shall be adjusted by multiplying it by the following fraction (the “**Adjustment Factor**”):

$$\frac{E - F}{E}$$

where:

- E = the market price on the date on which the capital distribution is publicly announced (whether or not such capital distribution is subject to the approval of the holders of Shares or other persons) or (if there is no such announcement) immediately preceding the date of such capital distribution (or, where there is no closing price on such dealing day, the closing price on the dealing day on which there was a closing price immediately preceding the relevant date), in which the “market price” refers to the average of the closing prices of one Share on the Stock Exchange for the five consecutive dealing days immediately preceding the day on which the market price is to be ascertained; and
- F = the amount calculated by dividing the fair market value on the day of such announcement or (as the case may require) the day immediately preceding the date of such capital distribution, as determined in good faith by an Approved Merchant Bank or the auditors of the Company, of such capital distribution by the number of Shares participating in such capital distribution

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant capital distribution. Pursuant to the terms and conditions of the Convertible Note, any adjustment to the conversion price of the Convertible Note shall be certified either (at the option of the Company) by an Approved Merchant Bank or the auditors of the Company. Details of the adjustment mechanism of the Convertible Note are set out in Appendix II to this circular.

Given that (i) distribution in specie falls under the definition of “capital distribution” under the terms and conditions of the Convertible Note; and (ii) the Spin-off was implemented by means of a distribution in specie of the entire issued share capital of Precious Dragon owned by the Company to the Shareholders, the conversion price of the Convertible Note was subject to the above adjustment resulting from the Spin-off.

Based on (i) the average closing price of the Shares of approximately HK\$0.9274 per Share (i.e. “E” in the Adjustment Factor) for the last five consecutive trading days preceding to 28 September 2018, the date of first announcement of the Spin-off; and (ii) the minimum market capitalisation of Precious Dragon at the time of listing of HK\$500 million as required under Rule 8.09(2) of the Listing Rules, being divided by 938,179,000 Shares on 14 June 2019, the record date for the Distribution, which were entitled to participate in the Distribution (i.e. “F” in the Adjustment Factor), the

LETTER FROM THE BOARD

Adjustment Factor amounted to approximately 0.4254. Accordingly, as a result of the Spin-off, the conversion price of the Convertible Note was adjusted from the Initial Conversion Price of HK\$1.08 per Conversion Share to the Adjusted Conversion Price of HK\$0.46 per Conversion Share, with effect from 15 June 2019, the day following the record date for the Distribution. No adjustment of the conversion price of the Convertible Note was proposed upon completion of the Spin-off given that at that time, Mr. Lin had no intention to exercise or transfer any of the Convertible Note while the Company was not aware of the requirement to adjust the conversion price of the Convertible Note. The Conversion Price Adjustment was only proposed after the Company was aware of the requirement to adjust the conversion price of the Convertible Note as a result of the Distribution under the terms and conditions of the Convertible Note.

Rainbow Capital has reviewed relevant clauses of the instrument dated 3 October 2014 (the “**Instrument**”) constituting the Convertible Note and the calculations of the Conversion Price Adjustment and discussed with the Company the reasons for, bases and calculations of, the Conversion Price Adjustment. In the opinion of Rainbow Capital, the Conversion Price Adjustment complies with the terms and conditions of the Instrument as regards the adjustments of the conversion price of the Convertible Note, including the computation of the Adjustment Factor set out above.

The Conversion Price Adjustment, which took effect on 15 June 2019, is not subject to the Shareholders’ approval. Based on the outstanding principal amount of the Convertible Note as at the Latest Practicable Date and the Adjusted Conversion Price, an additional 339,234,647 Conversion Shares (the “**Additional Shares**”) shall be issued upon full conversion of the Convertible Note, subject to the obtaining of a specific mandate for issuing such Additional Shares in an extraordinary general meeting to be held by the Company. As at the Latest Practicable Date, such specific mandate has not been obtained by the Company. As a result, the outstanding Convertible Note can only be converted up to 251,690,222 Conversion Shares which the Directors are authorised to allot and issue pursuant to the Old Specific Mandate based on the Adjusted Conversion Price as at the Latest Practicable Date.

Pursuant to the Deed of Amendment (details of which are set out in the following section), the Company and Mr. Lin proposed to, among other things, revise upwards the conversion price of the Convertible Note from HK\$0.46 per Conversion Share to HK\$0.55 per Conversion Share. Assuming full conversion of the Convertible Note based on the New Conversion Price, the Company shall allot and issue an aggregate of 494,228,072 Conversion Shares. The Company shall obtain a new specific mandate for issuing such Conversion Shares under the revised terms of the Convertible Note after the Proposed Amendments at the AGM. As such, the Company would not obtain a separate new specific mandate for issuing the Additional Shares resulting from the Conversion Price Adjustment.

LETTER FROM THE BOARD

PROPOSED AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTE

The Deed of Amendment

On 24 March 2020 (after trading hours), after further negotiation, the Company and Mr. Lin, the holder of the Convertible Note, entered into the Deed of 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 Proposed Amendments as mentioned above, other terms and conditions of the Convertible Note remain unchanged.

The Proposed Amendments are conditional upon:

- (i) the approval by the Independent Shareholders of the Deed of Amendment and the transactions contemplated thereunder at the AGM in accordance with the Listing Rules having been obtained;
- (ii) the Stock Exchange having granted its approval to the Company for the Proposed Amendments in accordance with Rule 28.05 of the Listing Rules; and
- (iii) all other necessary consents and approvals required to be obtained in respect of the Deed of Amendment and the transactions contemplated thereunder having been obtained.

If the conditions precedent set out in the Deed of Amendment are not fulfilled on or before 30 June 2020 or such later date as may be determined by the Company, the Deed of Amendment will terminate and cease to have any effect.

An application has been made to the Stock Exchange for approval of the Proposed Amendments in accordance with Rule 28.05 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE PROPOSED AMENDMENTS

The Group is 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 body deodorant, hair styling products and shaving cream, as well as pharmaceutical products such as pain-relieving spray, spray dressing and antiseptic spray.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the Proposed Amendments are fair and reasonable and in the interests of the Company and the Shareholders as a whole for the following reasons:

(i) In relation to the Extension

(a) the potential immediate selling down of Shares by the controlling shareholder of the Company or issuance of new Shares by the Company to maintain the public float may exert downward pressure on the price of the Shares

As at the Latest Practicable Date, Mr. Lin was beneficially interested in 660,546,000 Shares, representing approximately 73.25% of the issued share capital of the Company. Assuming full conversion of the Convertible Note into 251,690,222 Conversion Shares as at the Latest Practicable Date, Mr. Lin would be beneficially interested in 912,236,222 Shares, representing approximately 79.09% of the enlarged issued share capital of the Company.

Pursuant to the terms and conditions of the Convertible Note, (1) the noteholder cannot convert the Convertible Note or part thereof if upon the exercise of the conversion rights under the Convertible Note, less than 25% of the Company's issued shares would be held by the public; and (2) the conversion rights attached to any outstanding principal amount of the Convertible Note not being converted on the maturity date shall cease and the noteholder shall not be entitled to claim any cash or alternative form of settlement in respect thereof. In the event that the maturity of the Convertible Note is not extended, Mr. Lin may substantially sell down part of his Shares or the Company may issue new Shares before the Convertible Note is fully converted in order to comply with the public float requirement, given that limited amount of time is available to identify any potential buyer(s) for the transfer of the Convertible Note before the maturity of the Convertible Note. Otherwise, the conversion rights under the Convertible Note shall be forfeited and Mr. Lin shall not be entitled to claim any cash or alternative form of settlement upon maturity. To avoid this, there is a possibility of immediate selling down of Shares by Mr. Lin or issue of new Shares by the Company.

Assuming that there is no change in the shareholding of Mr. Lin in the Company from the Latest Practicable Date to 20 May 2020, the existing maturity date of the Convertible Note, Mr. Lin may sell down approximately 48 million existing Shares or the Company may issue approximately 64 million new Shares such that the public float of the Company can be maintained upon full conversion of the Convertible Note. Both of these events (the "Events") may exert downward pressure on the price of the Shares, particularly in view of the thin liquidity of the Shares. The average daily trading volume of the Shares was approximately 463,676 Shares during the period from 3 April 2018 to 1 April 2020, being approximately two years preceding the Latest Practicable Date, as available on the website of the Stock Exchange.

With the prolonged period of time resulting from the Extension, Mr. Lin can choose to (1) convert the Convertible Note when the Share price moves above the conversion price of the Convertible Note provided that the public float requirement is complied with; (2) transfer the Convertible Note to independent third parties given that more time is available for identifying potential buyer(s); (3) gradually sell down his existing Shares over a longer period of time without substantially affecting the Share price before the Convertible Note is converted such that the public float requirement is complied with; or (4) carry out a combination of the above (collectively, "Alternatives").

LETTER FROM THE BOARD

While the conversion of the Convertible Note is not within the control of the Company, the Directors (including the independent non-executive Directors) consider that the Extension reduces the immediate risk of such Events taking place and allows additional time for Mr. Lin to consider other Alternatives as stated above. In such circumstances, Mr. Lin does not have to substantially sell down his Shares now before the Convertible Note is fully converted prior to maturity in order to comply with the public float requirement.

(b) the Original Conversion Term is rare based on the research on the recent convertible notes or bonds issuance conducted by other companies listed on the Stock Exchange

Pursuant to the terms and conditions of the Convertible Note, the conversion rights attached to any outstanding principal amount of the Convertible Note not being converted on the maturity date shall cease and the noteholder shall not be entitled to claim any cash or alternative form of settlement in respect thereof.

The Directors (including the independent non-executive Directors) have considered issuance of convertible notes or bonds (the “**Comparable CNs**”) by other listed issuers as announced on the website of the Stock Exchange during the period from August 2019 to March 2020, being approximately eight months preceding the date of the Deed of Amendment. Based on the Comparable CNs identified, the Directors consider that it is typical for any outstanding convertible note at maturity to be either converted into shares or redeemed by the listed issuer with cash. The Original Conversion Term, while not to the disadvantage of the Shareholders and the Company, is rare based on the review of the Comparable CNs.

The Extension allows additional time for the Share price to move above the conversion price of the Convertible Note without forfeiting the noteholder’s conversion rights under the Convertible Note upon maturity. The Directors (including the independent non-executive Directors) consider that it is appropriate to reassess the Original Conversion Term now after considering the reasons for, and benefits brought by, the Proposed Amendments as explained in this section, in particular the potential immediate selling down of Shares by Mr. Lin caused by the anticipated implementation of the Original Conversion Term in the event that the maturity of the Convertible Note is not extended.

(c) the Extension is expected to align management’s incentive with Shareholders’ value

Since the listing of the Company in July 2013, under the leadership of Mr. Lin as the founder of the Group and an executive Director, the profit attributable to the Shareholders has increased from approximately HK\$38.3 million for the year ended 31 December 2012 to approximately HK\$79.5 million for the year ended 31 December 2018 following completion of the Acquisition in May 2015. In June 2019, the Spin-off was completed and the shares of Precious Dragon was successfully listed on the Main Board of the Stock Exchange. The Directors (including the independent non-executive Directors) consider that the Extension makes the Convertible Note more appealing to the noteholder and serves to incentivise Mr. Lin’s continual support to the Group and effort in promoting the Group’s long-term growth and development with an aim to boost the Share price to a level above the conversion price of the Convertible Note. Save for the service agreement entered into between the Company and Mr. Lin, there was no other agreement between the Company and Mr. Lin regarding his future assistance and contribution to the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

(d) *the Extension shall have no impact on the earnings and net assets of the Group*

As the Convertible Note is not redeemable and carries no interests, it is classified as equity in the consolidated financial statements of the Company. As such, either the Extension or the conversion of the Convertible Note shall have no impact on the earnings and net assets of the Group.

(ii) In relation to the Conversion Price Revision

The New Conversion Price represents premiums over the Adjusted Conversion Price, the net asset value attributable to the Shareholders as at 31 December 2019, and the market prices of the Shares for various periods in the six months before the date of the Deed of Amendment, in the range of 6.4% to 57.1% as set out below.

The New Conversion Price of HK\$0.55 represents:

- (a) a premium of approximately 19.6% over the Adjusted Conversion Price of HK\$0.46 per Conversion Share;
- (b) a premium of approximately 57.1% over the net asset value attributable to the Shareholders of approximately HK\$0.35 per Share as at 31 December 2019;
- (c) a premium of approximately 10.0% over the closing price of HK\$0.5 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (d) a premium of approximately 10.7% over the average closing price of HK\$0.497 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Deed of Amendment;
- (e) a premium of approximately 13.2% over the average closing price of HK\$0.486 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Deed of Amendment;
- (f) a premium of approximately 10.0% over the average closing price of HK\$0.50 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the date of the Deed of Amendment;
- (g) a premium of approximately 6.4% over the average closing price of HK\$0.517 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the date of the Deed of Amendment;
- (h) a premium of approximately 12.7% over the average closing price of HK\$0.488 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the date of the Deed of Amendment; and
- (i) a premium of approximately 13.2% over the average closing price of HK\$0.486 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the date of the Deed of Amendment.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the Conversion Price Revision serves to motivate Mr. Lin's continuing commitment and contribution towards the development of the Group, and is therefore fair and reasonable.

FINANCIAL IMPACT OF THE EXTENSION

Given that the Convertible Note is not redeemable and carries no interests, it contains no contractual obligation and 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. Given the above terms of the Convertible Note, it does not consist of a debt component typically embedded in other convertible bonds/notes. As a result, the Convertible Note is classified as equity in the Company's consolidated statement of financial position and only has the equity component.

Whether the Extension is approved by the Independent Shareholders shall have no impact on the earnings and net assets of the Group. Upon conversion of the Convertible Note or cessation of the conversion rights under the Convertible Note at maturity, the equity component of the Convertible Note shall be transferred to the reserves of the Company.

EFFECT OF THE CONVERSION OF THE CONVERTIBLE NOTE ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon full conversion of the Convertible Note prior to the existing maturity; (iii) immediately after the exercise in full of the Convertible Note (as amended by the Deed of Amendment); and (iv) immediately after conversion of the Convertible Note to the extent that the minimum public float requirement is complied with (assuming there is no issue or repurchase of Shares by the Company from the Latest Practicable Date to the date of the exercise of the Convertible Note in full and there is no exercise of any share options granted by the Company):

	As at the Latest Practicable Date		Upon full conversion of the Convertible Note prior to the existing maturity		Immediately after exercise in full of the Convertible Note after the Proposed Amendments		Immediately after conversion of the Convertible Note with the public float restriction	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
			(Note 1)	(Note 4)	(Note 2)	(Note 4)	(Note 3)	
Mr. Lin and his associate	660,546,000	73.25%	912,236,222	79.09%	1,154,774,072	82.72%	719,000,000	74.88%
A Director	1,200,000	0.13%	1,200,000	0.10%	1,200,000	0.09%	1,200,000	0.12%
Public Shareholders	240,039,000	26.62%	240,039,000	20.81%	240,039,000	17.19%	240,039,000	25.00%
Total	<u>901,785,000</u>	<u>100.00%</u>	<u>1,153,475,222</u>	<u>100.00%</u>	<u>1,396,013,072</u>	<u>100.00%</u>	<u>960,239,000</u>	<u>100.00%</u>

Notes:

- As at the Latest Practicable Date, the Convertible Note was convertible up to 251,690,222 Conversion Shares which the Directors are authorised to allot and issue pursuant to the Old Specific Mandate.

LETTER FROM THE BOARD

2. Subject to the obtaining of a new specific mandate for issuing new Conversion Shares under the revised terms of the Convertible Note after the Proposed Amendments at the AGM, the Convertible Note is convertible into 494,228,072 Conversion Shares.
3. Subject to the obtaining of a new specific mandate for issuing new Conversion Shares under the revised terms of the Convertible Note after the Proposed Amendments at the AGM, the Convertible Note is convertible up to 58,454,000 Conversion Shares in compliance with the public float requirement.
4. The Company shall comply with the public float requirement, being not less than 25% of the total issued share capital of the Company under Rule 8.08(1)(a) of the Listing Rules, at all times and take appropriate measures to ensure sufficient public float of the Shares (if necessary).

LISTING RULES IMPLICATIONS

According to the Guidance Letter (HKEX-GL80-15), the Proposed Amendments would constitute a material change to the terms of the Convertible Note. They should be regarded as new arrangements for the Company to issue convertible securities to the noteholder. Accordingly, the Company shall obtain a new specific mandate for issuing 494,228,072 Conversion Shares under the revised terms of the Convertible Note at the AGM.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alternations take effect automatically under the existing terms of such convertible debt securities. An application has been made to the Stock Exchange for approval of the Proposed Amendments in accordance with Rule 28.05 of the Listing Rules.

As at the Latest Practicable Date, Mr. Lin, the holder of the Convertible Note, is beneficially interested in 660,546,000 Shares, representing approximately 73.25% of the issued share capital of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Proposed Amendments to be effected by the Deed of Amendment between the Company and Mr. Lin constitute a connected transaction for the Company under the Listing Rules. The Proposed Amendments are therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

As Mr. Lin has a material interest in the Deed of Amendment and the transactions contemplated thereunder, Mr. Lin and his associates shall abstain from voting on the relevant resolution to be proposed at the AGM to approve the Proposed Amendments. Save as the aforesaid, no other Shareholder has a material interest in the Proposed Amendments which is different from the other Shareholders, and is required to abstain from voting in respect of the Proposed Amendments at the AGM under the Listing Rules.

Save as Mr. Lin, none of the other directors has a material interest in the Deed of Amendment and the transaction contemplated thereunder and has abstained from voting on the Board resolution to approve the Proposed Amendments.

LETTER FROM THE BOARD

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, has been established by the Company to provide recommendation to the Independent Shareholders on the Proposed Amendments. Opus Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Amendments.

GRANT OF ISSUE MANDATE, REPURCHASE MANDATE AND EXTENSION MANDATE

Pursuant to the ordinary resolutions passed by the then Shareholders at the last annual general meeting of the Company held on 6 May 2019, the Directors were granted (a) general and unconditional mandates to allot, issue and deal with Shares not exceeding 20% of the aggregate amount of the Shares in issue on the date of passing of the relevant ordinary resolution; (b) a general and unconditional mandate to repurchase Shares with an aggregate amount not exceeding 10% of the aggregate amount of the Shares in issue on the date of passing of the relevant ordinary resolutions; and (c) the power to extend the general mandate mentioned in (a) above by an amount representing the aggregate amount of the Shares repurchased by the Company pursuant to the mandate to repurchase securities referred to in (b) above.

The above general mandates will expire at the conclusion of the AGM. At the AGM, the following resolutions, among other matters, will be proposed:

- (a) to grant the Issue Mandate to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with Shares up to a maximum of 20% of the aggregate amount of the Shares in issue as at the date of passing of such resolution;
- (b) to grant the Repurchase Mandate to the Directors to enable them to repurchase Shares up to a maximum of 10% of the aggregate amount of the Shares in issue as at the date of passing of such resolution; and
- (c) to grant the Extension Mandate to the Directors to increase the total number of Shares which may be allotted and issued under the Issue Mandate by an additional number representing such number of Shares repurchased under the Repurchase Mandate.

The full text of the above resolutions are set out in resolutions paragraphs 5 to 7 as set out in the notice of the AGM contained in pages AGM-1 to AGM-6 of this circular.

As at the Latest Practicable Date, the issued share capital of the Company comprised 901,785,000 Shares. On the basis that no further Shares are repurchased or issued prior to the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 90,178,500 Shares and under the Issue Mandate to issue a maximum of 180,357,000 Shares, representing 10% and 20% of the issued Shares as at the Latest Practicable Date respectively.

Each of the Issue Mandate, the Repurchase Mandate and the Extension Mandate will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by

LETTER FROM THE BOARD

the Company's memorandum of association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (c) the time when such mandate is revoked or varied by ordinary resolution of the Shareholders in general meeting prior to the next annual general meeting of the Company.

With reference to the Repurchase Mandate and the Issue Mandate, the Directors wish to state that they have no immediate plans to repurchase any Shares or allot and issue any new Shares pursuant thereto.

An explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for the Shareholders to make an informed decision on whether to vote for or against the granting of the Repurchase Mandate is set out in Appendix III to this circular.

RE-ELECTION OF THE DIRECTORS

As at the Latest Practicable Date, the executive Directors are Mr. Lin Wan Tsang and Mr. Dong Jiangxiong, the non-executive Director is Mr. Kwok Tak Wang and the independent non-executive Directors are Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond.

Pursuant to article 108(a) of the Articles, at each annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Kwok Tak Wang, Ms. Guo Yang and Mr. Yip Wai Man Raymond shall retire from office by rotation at the AGM, and being eligible, will offer themselves for re-election.

In accordance with the nomination policy of the Company and the objective criteria (including without limitation, gender, age, ethnicity, cultural and educational background, professional experiences and knowledge) with due regard for the benefits of diversity, as set out under the board diversity policy of the Company, the Nomination Committee has reviewed the re-election of the Directors through:

- (a) evaluating the performance and contribution of the retiring Directors during the last financial year of the Company and the period thereafter up to the date of evaluation; and
- (b) assessing the independence of the independent non-executive Directors being Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To, and Mr. Yip Wai Man Raymond, and considered whether they remained independent and suitable to continue to act in such roles.

After due evaluation and assessment, the Nomination Committee is of the opinion that:

- (a) the performance of the retiring Directors was satisfactory and contributed effectively to the operation of the Board; and

LETTER FROM THE BOARD

- (b) based on the information available to the Nomination Committee and the annual written independence confirmation received from the independent non-executive Directors, the Nomination Committee was satisfied that Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond
- i. fulfil the requirements of an independent non-executive Director as stipulated under Rule 3.13 of the Listing Rules; and
 - ii. are the persons of integrity and independent in character and judgement.

Accordingly, the Nomination Committee recommended to the Board, and the Board has considered the re-election of Mr. Kwok Tak Wang as the non-executive Director, Ms. Guo Yang and Mr. Yip Wai Man Raymond as the independent non-executive Directors, is in the best interests of the Company and the Shareholders as a whole and has resolved to propose to re-elect each of the retiring Directors at the AGM.

Particulars of each of the retiring Directors proposed to be re-elected at the AGM which are required to be disclosed by the Listing Rules are set out in Appendix IV to this circular.

AGM AND PROXY ARRANGEMENT

A notice of the AGM is set out on pages AGM-1 to AGM-6 of this circular.

The AGM will be convened at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Proposed Amendments. A notice convening the AGM to be held at 2:30 p.m. on Friday, 15 May 2020 at Room Diamond, Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong is set out on pages AGM-1 to AGM-6 of this circular. A form of proxy for use at the AGM is enclosed under this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.6898hk.com).

Whether or not you intend to attend the AGM, you are advised to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case may be) if you so wish.

VOTE BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolutions at the AGM will be conducted by way of poll.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 23 of this circular which contains its recommendation to the Independent Shareholders in relation to the Proposed Amendments.

Your attention is also drawn to the letter from Opus Capital set out on pages 24 to 39 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Amendments and the principal factors and reasons taken into account in arriving at its recommendation.

The Directors (including the independent non-executive Directors) consider that the terms of the Deed of Amendment are determined after arm's length negotiations between the parties and on normal commercial terms. The Directors (including the independent non-executive Directors) also consider that though the Deed of Amendment was not entered into in the ordinary and usual course of business of the Group, the terms of the Deed of Amendment are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Resolutions to be proposed at the AGM include ordinary resolutions relating to (a) the proposed grant of each of the Issue Mandate, Repurchase Mandate and Extension Mandate; and (b) the proposed re-election of each of the retiring Directors. The Directors consider that all the proposed resolutions are in the best interests of the Company and the Shareholders as a whole and, accordingly, recommend all Shareholders to vote in favour of all such resolutions to be proposed at the AGM.

ADDITIONAL INFORMATION

Your attention is drawn to additional information set out in the appendix to this circular and the notice of the AGM.

By order of the Board of
China Aluminum Cans Holdings Limited
中國鋁罐控股有限公司
Lin Wan Tsang
Chairman and executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee, prepared for the purpose of inclusion in this circular, setting out its recommendation to the Independent Shareholders in relation to the Proposed Amendments:

CHINA ALUMINUM CANS HOLDINGS LIMITED

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

9 April 2020

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION — PROPOSED AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTE DUE 2020

We refer to the circular of the Company to the Shareholders dated 9 April 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used herein will have the same meanings as defined in the Circular, unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Deed of Amendment and the transactions contemplated thereunder. Opus Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 24 to 39 of this circular. Your attention is also drawn to the “Letter from the Board” in this circular and the additional information set out in the Appendix thereto.

Having considered the terms of the Deed of Amendment and taking into account the advice of the Independent Financial Adviser, in particular the principal factors, reasons and recommendations as set out in their letter, we consider that the terms of the Deed of Amendment and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Deed of Amendment, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the AGM to approve the Proposed Amendments.

Yours faithfully,
the Independent Board Committee

Dr. Lin Tat Pang

Ms. Guo Yang

Mr. Chung Yi To

Mr. Yip Wai Man Raymond

Independent non-executive Directors

LETTER FROM OPUS CAPITAL

Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Proposed Amendments for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

9 April 2020

To: the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION — PROPOSED AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTE DUE 2020

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments (i.e. the proposed amendments to the terms and conditions of the Convertible Note pursuant to the Deed of Amendment, which comprise the Extension and the Conversion Price Revision), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 9 April 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 3 October 2014, Euro Asia Investments, a wholly-owned subsidiary of the Company, and Mr. Lin, an executive Director, the chairman of the Board and the controlling shareholder of the Company, entered into a sale and purchase agreement, pursuant to which Euro Asia Investments conditionally agreed to purchase from Mr. Lin the entire issued share capital of Topspan at a total consideration of HK\$900 million which shall be satisfied as to HK\$120 million by cash and as to HK\$780 million by the issuance of the Convertible Note.

The Acquisition and the transactions contemplated thereunder were approved by the independent shareholders of the Company in the extraordinary general meetings held by the Company on 16 December 2014 and 22 April 2015.

LETTER FROM OPUS CAPITAL

Completion of the Acquisition took place on 20 May 2015 and the Convertible Note was issued on 8 July 2015. As at the Latest Practicable Date, the outstanding principal amount of the Convertible Note was HK\$271,825,440, and the outstanding Convertible Note was convertible into 251,690,222 Conversion Shares which the Directors are authorised to allot and issue based on the Initial Conversion Price of HK\$1.08 per Conversion Share pursuant to a specific mandate (the “**Old Specific Mandate**”) approved by the independent shareholders of the Company on 16 December 2014. As a result of the Spin-off, pursuant to the adjustment mechanism under the terms and conditions of the Convertible Note, the conversion price was adjusted from the Initial Conversion Price of HK\$1.08 per Conversion Share to the Adjusted Conversion Price of HK\$0.46 per Conversion Share with effect from 15 June 2019, being the day following the record date for the separate listing of the shares of Precious Dragon on the Main Board of the Stock Exchange by way of introduction implemented by means of a distribution in specie (i.e. the Conversion Price Adjustment). The Convertible Note shall mature on 20 May 2020 (the “**Expiry Date**”). Details of the historical conversions of the Convertible Note, the Spin-off and the Conversion Price Adjustment are set out in the sections headed “BACKGROUND” and “ADJUSTMENT TO THE CONVERSION PRICE OF THE CONVERTIBLE NOTE”, respectively, in the Letter from the Board.

The Conversion Price Adjustment, which took effect on 15 June 2019, is not subject to the Shareholders’ approval. Based on the outstanding principal amount of the Convertible Note as at the Latest Practicable Date and the Adjusted Conversion Price, a total of 590,924,869 Conversion Shares shall be issued upon full conversion of the Convertible Note, of which the issuance of an additional 339,234,647 Conversion Shares (the “**Additional Shares**”) is subject to the obtaining of a specific mandate for issuing of such additional Conversion Shares at the AGM. As at the Latest Practicable Date, such specific mandate for issuing such additional Conversion Shares has not been obtained by the Company. As a result, the outstanding Convertible Note can only be converted up to 251,690,222 Conversion Shares which the Directors are authorised to allot and issue pursuant to the Old Specific Mandate based on the Adjusted Conversion Price as at the Latest Practicable Date.

As stated in the Letter from the Board, on 24 March 2020 (after trading hours), after further negotiation, the Company entered into the Deed of Amendment with Mr. Lin, the holder of the Convertible Note, pursuant to which the Company and Mr. Lin have conditionally agreed to amend the terms and conditions of the Convertible Note, where the maturity date of the Convertible Note will be extended by five years from 20 May 2020 to 20 May 2025 and the conversion price of Convertible Note will be revised upwards from HK\$0.46 per Conversion Share to HK\$0.55 per Conversion Share. Assuming full conversion of the Convertible Note based on the New Conversion Price, the Company shall allot and issue an aggregate of 494,228,072 Conversion Shares. The Company shall obtain a new specific mandate for issuing such Conversion Shares under the revised terms of the Convertible Note pursuant to the Proposed Amendments at the AGM. As such, the Company would not obtain a separate new specific mandate for issuing the Additional Shares resulting from the Conversion Price Adjustment.

LETTER FROM OPUS CAPITAL

As disclosed in the Letter from the Board, as at the Latest Practicable Date, Mr. Lin was beneficially interested in 660,546,000 Shares, representing approximately 73.25% of the entire issued share capital of the Company and is therefore a controlling shareholder and a connected person of the Company under the Listing Rules. Accordingly, the Proposed Amendments to be effected by the Deed of Amendment between the Company and Mr. Lin constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. The Proposed Amendments are therefore subject to reporting, announcement, circular and the independent shareholders' approval requirements under the Listing Rules.

According to the Guidance Letter (HKEX-GL80-15), the Proposed Amendments would constitute a material change to the terms of the Convertible Note. They should be regarded as new arrangements for the Company to issue convertible securities to the noteholder. Accordingly, the Company shall obtain a new specific mandate for issuing the Conversion Shares under the revised terms of the Convertible Note at the AGM.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. An application has been made to the Stock Exchange for approval of the Proposed Amendments in accordance with Rule 28.05 of the Listing Rules.

The AGM will be convened at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Proposed Amendments. As Mr. Lin has a material interest in the Proposed Amendments, Mr. Lin and his associates shall abstain from voting on the relevant resolution to be proposed at the AGM to approve the Proposed Amendments. Save as the aforesaid, no other Shareholder has a material interest in the Proposed Amendments which is different from the other Shareholders, and is required to abstain from voting in respect of the Proposed Amendments at the AGM under the Listing Rules.

Save as Mr. Lin, none of the other Directors has a material interest in the Proposed Amendments and has abstained from voting on the Board resolution to approve the Proposed Amendments.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising of Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, being all the independent non-executive Directors, has been formed to consider whether the terms and conditions of the Proposed Amendments are fair and reasonable and on normal commercial terms, are entered into in the ordinary and usual course of business of the Group, are in the interests of the Group and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect of the voting on the resolution to be proposed at the AGM to approve the Proposed Amendments. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM OPUS CAPITAL

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of a set of continuing connected transactions under the master supply agreement entered into between the Company and Precious Dragon on 17 April 2019 (the “**Past Appointment**”), which is set out in the circular of the Company dated 9 May 2019. Such continuing connected transactions are independent of the Proposed Amendments.

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, Mr. Lin or other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fee paid or payable to us in connection with the Past Appointment and this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company’s annual report (the “**2019 Annual Report**”) for the year ended 31 December (“**FY**”) 2019 published on 9 April 2020;
- (ii) the subscription agreement dated 3 October 2014 in respect of the Convertible Note;
- (iii) the Deed of Amendment;
- (iv) the announcements of the Company dated 20 February 2020, 21 February 2020 and 24 March 2020 in relation to the Proposed Amendments; and
- (v) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the AGM.

LETTER FROM OPUS CAPITAL

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Proposed Amendments, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration, inter alia, the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in the manufacture and sale of monobloc aluminium aerosol cans, which are generally used in the packaging of fast-moving personal care products such as body deodorant, hair styling products and shaving cream, as well as pharmaceutical products such as pain relieving spray, spray dressing and antiseptic spray. For FY2018 and FY2019, the Group recorded revenue from continuing operations of approximately HK\$276.4 million and HK\$206.0 million respectively.

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The following table summarises the financial information of the Group for FY2018 and FY2019 as extracted from the 2019 Annual Report:

	Audited	
	FY2019	FY2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Continuing operations		
Revenue	205,962	276,388
Cost of sales	(134,264)	(167,184)
Profit for the year from continuing operations	24,614	38,125
Discontinued operation		
Profit for the year from a discontinued operation	15,569	47,297
Profit for the year	40,183	85,422

The Company has successfully spun off Precious Dragon which specialises in content filing of aerosol cans, and the production and sale of aerosol and non-aerosol products operations, for a separate listing on the Main Board of the Stock Exchange on 21 June 2019. During FY2019, the Group recorded a total turnover of approximately HK\$206.0 million, representing a decrease of approximately 25.5%, from approximately HK\$276.4 million for FY2018. The number of aluminum aerosol cans sold by the Group during FY2019 was approximately 123.2 million, dropped by approximately 17.9%, as compared to approximately 150.1 million for FY2018. The revenue of the Group from the People's Republic of China (the "PRC") market was approximately HK\$187.3 million. As stated in the 2019 Annual Report, such decrease in revenue was primarily due to the world economy negatively impacted by the Sino-US trade war, there remained uncertainties in the state of global and PRC economic development. As a result, the turnover for both the PRC and overseas markets decreased.

The Group's net profit from continuing operations amounted to approximately HK\$24.6 million for FY2019, representing a decline of approximately 35.4% as compared to approximately HK\$38.1 million for FY2018. The net profit margin of the Group also dropped by approximately 1.8%, from approximately 13.8% for FY2018 to approximately 12.0% for FY2019.

As explained in the 2019 Annual Report, the decrease in net profit of the Group was mainly due to net effects of (i) the decrease in sales and production scales; (ii) the increase in other income and gains; and (iii) the decrease in selling and administrative expenses due to cost control.

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The Group's net profit from discontinued operation amounted to approximately HK\$15.6 million for FY2019, representing a decrease of approximately 67.0% as compared to approximately HK\$47.3 million recorded during FY2018. The decrease in the net profit from discontinued operation was mainly due to the net profit attributable to Precious Dragon which was spun off from the Group effective from 15 June 2019.

	Audited	
	As at 31 December	
	2019	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Non-current assets	238,795	405,663
Current assets	112,476	409,103
Cash and cash equivalents	51,698	228,149
Non-current liabilities	3,861	83,450
Current liabilities	8,475	133,851
Total equity attributable to the Shareholders	314,196	584,651
Current ratio (times)	3.9	3.1

As at 31 December 2019, the total assets of the Group amounted to approximately HK\$351.3 million, representing a significant decrease of approximately 56.9% from approximately HK\$814.8 million as at 31 December 2018. Such decrease in total assets was mainly due to total assets of Precious Dragon being spun off with effect on 15 June 2019.

The major line items contributing to the decrease in the total assets of the Group between 31 December 2019 and 31 December 2018 were: (i) property, plant and equipment, which decreased from approximately HK\$317.0 million to HK\$224.4 million; and (ii) cash and cash equivalents and pledged bank deposits, which dropped significantly from approximately HK\$233.1 million to HK\$51.7 million, respectively.

Due to the Spin-off, the total liabilities of the Group also decreased significantly from approximately HK\$217.3 million as at 31 December 2018 to approximately HK\$32.3 million as at 31 December 2019, representing a steep decline of approximately HK\$185.0 million or approximately 85.1%.

As a result of the combination of movements of the total assets and liabilities of the Group highlighted above, the total equity attributable to the Shareholders decreased from approximately HK\$584.7 million as at 31 December 2018 to approximately HK\$314.2 million as at 31 December 2019. Such decrease in total equity was mainly due to the Spin-off becoming effective on 15 June 2019.

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2. The Deed of Amendment

On 24 March 2020 (after trading hours), after further negotiation, the Company and Mr. Lin, the holder of the Convertible Note, entered into the Deed of 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 from the Adjusted Conversion Price of HK\$0.46 per Conversion Share to the New Conversion Price of HK\$0.55 per Conversion Share.

Save for the Proposed Amendments as mentioned above, other terms and conditions of the Convertible Note remain unchanged. The Proposed Amendments are conditional upon:

- (i) the approval by the Independent Shareholders of the Deed of Amendment and the transactions contemplated thereunder at the AGM in accordance with the Listing Rules having been obtained;
- (ii) the Stock Exchange having granted its approval to the Company for the Proposed Amendments in accordance with Rule 28.05 of the Listing Rules; and
- (iii) all other necessary consents and approvals required to be obtained in respect of the Deed of Amendment and the transactions contemplated thereunder having been obtained.

If the conditions precedent set out in the Deed of Amendment are not fulfilled on or before 30 June 2020 or such later date as may be determined by the Company, the Deed of Amendment will terminate and cease to have any effect.

3. Reasons for and benefits of the Proposed Amendments

As stated in the Letter from the Board, as at the Latest Practicable Date, Mr. Lin was beneficially interested in 660,546,000 Shares, representing approximately 73.25% of the entire issued share capital of the Company. The outstanding Convertible Note can be converted up to 251,690,222 Conversion Shares which the Directors are authorised to allot and issue pursuant to the Old Specific Mandate as at the Latest Practicable Date. Apart from the Old Specific Mandate, pursuant to the poll result of the 2019 annual general meeting of the Company held on 6 May 2019 (the “AGM”), the Directors were granted by the Shareholders a general mandate (the “**General Mandate**”) to allot, issue or otherwise deal with up to 187,635,800 Shares, being a maximum of 20% of total number of Shares in issue as at the date of passing the relevant resolution at the AGM. In aggregate, with the Adjusted Conversion Price of HK\$0.46 per Conversion Share, the outstanding Conversion Note can be converted up to 439,326,022 Conversion Shares (the “**Maximum Conversion**”) under the Old Specific Mandate and the General Mandate. As at the Latest Practicable Date, the Independent Shareholders were beneficially interested in 240,039,000 Shares, representing approximately 26.62% of the entire issued share capital of the Company. Upon the Maximum Conversion, the issued share capital of the Company would increase to 1,341,111,022 Shares. Accordingly, the shareholding of the Independent Shareholders in the Company would decline to approximately 17.90%, representing a shareholding dilution effect to the existing Independent Shareholder of approximately 8.72%.

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Pursuant to the terms and conditions of the Convertible Note, (1) the noteholder cannot convert the Convertible Note or part thereof if upon the exercise of the conversion rights under the Convertible Note, less than 25% of the Company's issued shares would be held by the public; and (2) the conversion rights attached to any outstanding principal amount of the Convertible Note not being converted on the maturity date shall cease and the noteholder shall not be entitled to claim any cash or alternative form of settlement in respect thereof. In the event that the maturity of the Convertible Note is not extended, Mr. Lin may substantially sell down part of his Shares or the Company may issue new Shares before the Convertible Note is fully converted prior to maturity in order to comply with the public float requirement. Otherwise, the conversion rights under the Convertible Note shall be forfeited and Mr. Lin shall not be entitled to claim any cash or alternative form of settlement upon maturity of the Convertible Note (the "**Original Conversion Term**"). To avoid this, there is a possibility of immediate selling down of Shares (the "**Potential Sell Down**") by Mr. Lin.

In order to assess whether the Proposed Amendments, in particular, the Extension, is in the interest of the Independent Shareholders, we have compared the possible outcomes under the scenario of Proposed Amendments being voted down and the Potential Sell Down taking effect and the scenario which the Proposed Amendments being approved. In the scenario of the Potential Sell Down, assuming there is no other issuance of Shares apart from those issued upon the conversion of the Convertible Note, prior to the Maximum Conversion, Mr. Lin may substantially sell down around 95,238,755 Shares (the "**Potential Sale Shares**") in the market from the date of the AGM (i.e. 15 May 2020) to the Expiry Date (exclusive of both dates), being 4 trading days (the "**Sell Down Window**"). The average daily trading volume of the Shares is approximately 650,300 (the "**Daily Trading Volume**") during the year prior to the date of the announcement of the Proposed Amendments. Assuming the maximum number of Shares Mr. Lin can sell in the market for each trading day would equate to the Daily Trading Volume without causing any distortion in the Share price, by dividing the number of Potential Sale Shares by the Daily Trading Volume, it would take no less than 147 trading days for Mr. Lin to complete the sale of the entire Potential Sale Shares. Any period less than 147 trading days to implement the Potential Sell Down, in our opinion, would exert considerable downward pressure on the Share price and severely undermine the intrinsic valuation of the Company given the thin trading liquidity of the Shares, which is not in the interest of all the Shareholders and the Company.

Another worthwhile argument is that given the highly depressed market environment amidst the COVID-19 pandemic outbreak means the Share price will need time to recover and to be trading at an equilibrium so any rush disposal of Shares, as far as all of the Shareholders' interests are concerned, should be avoided. Based on the above and given the conduct of the Potential Sell Down in an abrupt manner would be mainly driven by the highly limited Sell Down Window (i.e. 4 trading days) presented to Mr. Lin, we are of the view that the Extension remains the key to prevent the Potential Sell Down to be happening in an abrupt manner. We are of the view that should the Extension be granted by the Shareholders, Mr. Lin would be presented with a prolong period (i.e. five years) to implement the Relief Measures (as defined below).

Upon the Proposed Amendments becoming effective, the maturity date of the Convertible Note will be extended from 20 May 2020 to 20 May 2025 while authorising the Directors to issue and allot 494,228,072 Conversion Shares based on the New Conversion Price of HK\$0.55 per Conversion Share which is a favourable term to the Independent Shareholders as discussed in the following sections. The Extension allows Mr. Lin additional time, where he can choose to (1) convert the Convertible

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Note when the Share price moves above the conversion price of the Convertible Note provided that the public float requirement is complied with; (2) transfer the Convertible Note to independent third parties given that more time is available for identifying potential buyer(s); (3) gradually sell down his existing Shares over a longer period of time without substantially affecting the Share price before the Convertible Note is converted such that the public float requirement is complied with; or (4) carry out a combination of the above (the “**Relief Measures**”).

We have also reviewed the Comparable CNs as stated in the Letter from the Board. It is noted that it is typical for any outstanding convertible note at maturity to be either converted into shares or redeemed by the listed issuer with cash but such terms are not present under the Convertible Note. Therefore, we do concur with the Directors that the Extension would allow additional time for the Share price to move above the New Conversion Price without forfeiting the noteholder’s conversion rights under the Convertible Note upon maturity, which was typical in the case of the Convertible Note when compared to the Comparable CNs. The Original Conversion Term, while not to the disadvantage of the Shareholders and the Company, is rare based on the review of the Comparable CNs.

As disclosed in the Letter of the Board, the Directors are of the view and we concur that although the conversion of the Convertible Note is not within the control of the Company, the Board consider that the Extension can reduce the risk of an immediate conduct of the Potential Sell Down of the existing Shares by Mr. Lin or issuing new Shares by the Company and at the same time makes the Convertible Note more appealing to the noteholder because it could serve as a continuing incentive for the controlling shareholder of the Company to seek improvement and raise management and operating efficiency for the Group on an ongoing basis with a view to incentivise Mr. Lin’s continual support to the Group and effort in promoting the Group’s long-term growth and development with an aim to boost the Share price to a level above the New Conversion Price. Such incentive is important because Mr. Lin, being an executive Director, is a critical member of the senior management of the Group, whose contributions in terms of profit growth and the leadership of pursuing the Spin-off are well documented in the Letter from the Board, should be given the opportunity to be incentivised and his interests should be aligned with those of the Independent Shareholders. Mr. Lin, however in our view, did not propose the Extension without providing a corresponding incentive to the Independent Shareholders in return. The Conversion Price Revision would serve as such incentive, where, the favourable term of the New Conversion Price are to be discussed in the following sections.

Based on the above, we are of the view that the Proposed Amendments have a sound rationale to preserve the common interests of the Company and all the Shareholders.

4. Comparable analysis

In assessing the fairness and reasonableness of the Proposed Amendments, we have conducted a comparable analysis on the Conversion Price Revision and the Extension. Under the Proposed Amendments, the conversion price of the Convertible Note shall be revised upwards from the Adjusted Conversion Price of HK\$0.46 to the New Conversion Price of HK\$0.55 and the maturity date is extended from 20 May 2020 to 20 May 2025. On a best effort basis, we have identified a list of transactions involving amendments on the conversion price of convertible bonds/notes by the companies listed on the Main Board of the Stock Exchange (the “**Comparable Amendments**”) as

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announced within two years prior to and including 24 March 2020, being the date of the announcement of the Proposed Amendments (the “**Last Trading Day**”) and to compare the Conversion Price Revision and the Extension under the Proposed Amendments.

#	Date of announcement	Stock code	Name of company	Principal amount	Extension period (months)	Amendment upward/ (downward) made to the initial conversion price (%)
1	13 March 2020	508	Dingyi Group Investment Limited	HK\$220,000,000	6	—
2	13 March 2020	508	Dingyi Group Investment Limited	HK\$59,500,000	6	—
3	2 March 2020	1096	Sino Energy International Holdings Group Limited	HK\$100,000,000	6	(37.5)
4	31 December 2019	2280	HC Group Inc.	HK\$100,000,000	—	(25.0)
5	11 November 2019	1323	Newtree Group Holdings Limited	HK\$100,000,000	6	1.9
6	1 November 2019	1371	China LotSynergy Holdings Limited	HK\$174,800,000	12	—
7	17 September 2019	351	Asia Energy Logistics Group Limited	HK\$100,000,000	—	(55.9)
8	27 August 2019	593	Dreameast Group Limited	HK\$100,000,000	12	(39.6)
9	23 August 2019	1323	Newtree Group Holdings Limited	HK\$100,000,000	3	13.0
10	17 June 2019	2012	Sunshine Oilsands Ltd.	US\$10,450,000	—	11.1
11	12 June 2019	1247	Miko International Holdings Limited	RMB15,763,478	24	(54.2)
12	9 April 2019	616	Eminence Enterprise Limited	HK\$86,000,000	—	(62.5)
13	22 March 2019	1371	China LotSynergy Holdings Limited	HK\$174,800,000	7	(13.0)
14	28 February 2019	231	Ping An Securities Group (Holdings) Limited	HK\$100,000,000	24	(38.4)
15	18 January 2019	1096	Sino Energy International Holdings Group Limited	HK\$100,000,000	6	(58.3)
16	12 November 2018	724	Ruixin International Holdings Limited	HK\$158,400,000	36	(68.6)
17	24 August 2018	91	International Standard Resources Holdings Limited	HK\$365,000,000	36	(90.6)
18	6 May 2018	2222	NVC International Holdings Limited	HK\$500,000,000	24	(16.8)
19	26 April 2018	1371	China LotSynergy Holdings Limited	HK\$174,800,000	—	(4.2)
				Maximum	36.0	13.0
				Minimum	3.0	(90.6)
				Median	9.5	(38.0)
				Average	14.9	(33.7)
	24 March 2020	6898	China Aluminum Cans Holdings Limited	HK\$271,825,440	60.0	19.6

Source: the Stock Exchange

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We noted that the amendments made on the initial conversion price of the Comparable Amendments ranged from a downward of approximately 90.6% to an upward of approximately 13.0%, with the average and median being downward amendments of approximately 33.7% and 38.0%, respectively. The upward amendment of approximately 19.6% represented by the New Conversion Price of HK\$0.46 to the Adjusted Conversion Price of HK\$0.55 is above the range of the Comparable Amendments. The movement of the conversion price is inversely-related with the number of shares to be converted, thus the Conversion Price Revision, being an upward amendment of the conversion price of the Convertible Note, would lead to less number of Conversion Shares being converted by Mr. Lin, a connected person of the Company, and hence would result in less dilution in the shareholding of the Independent Shareholders. In addition, the extension period of the Comparable Amendments ranged from three months to 36 months, with the average and median being 14.9 months and 9.5 months respectively. The Extension of 60 months, falls outside the range of the Comparable Amendments and is above the median and average maturity period, respectively as recorded by the Comparable Amendments. Assuming the Extension will take effect, from the perspective of a non-interest bearing debt security and without taking into account the Original Conversion Term which is a rare feature as explained above, the longer the maturity date can be seen as a favourable term as far as the interests of the Independent Shareholders are concerned.

Further to the above, on a best effort basis, we have identified a list of transactions, as far as we are aware of, involving the issuance of convertible bonds/notes by the companies listed on Main Board of the Stock Exchange (the “**Comparable Convertible Issues**”) as announced within three months prior to and including the Last Trading Day and to compare against the New Conversion Price.

During the course of our assessment, we noted that the conversion price of the convertible bond issued on 22 January 2020 by Huajun International Group Limited (“**Huajun**”) is at a premium of approximately 192.3% over the closing price. Such premium is more than triple the next highest premium in terms of conversion price of the convertible bonds among the Comparable Convertible Issues. We therefore consider the convertible bond issued by Huajun is an outlier compared to other Comparable Convertible Issues and have excluded such sample from our comparable analysis.

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Independent Shareholders should note that the businesses, operations and prospects of the Group are not the same as the Comparable Convertible Issues, therefore the Comparable Convertible Issues are only used to provide a general reference for the common market practice in recent issuance of convertible bonds/notes by the companies listed on the Main Board of the Stock Exchange. Similarly to the Comparable CNs, given the rare feature of the Original Conversion Term, the Comparable Convertible Issues do not consist such term in their issuance. Set forth below is the summary of the Comparable Convertible Issues.

#	Date of announcement	Stock code	Name of company	Principal amount	Maturity (years)	Premium /(discount) of the conversion price over/to the closing share price on the respective last trading day (%)
1	5 March 2020	474	Hao Tian Development Group Limited	HK\$100,000,000	3	28.2
2	2 March 2020	8158	China Regenerative Medicine International Limited	HK\$120,000,000	3	(5.7)
3	26 February 2020	1191	China Gem Holdings Limited	HK\$58,000,000	3	6.7
4	25 February 2020	1013	Wai Chun Group Holdings Limited	HK\$172,000,000	NA ^{Note}	2.4
5	18 February 2020	1192	Titan Petrochemicals Group Limited	HK\$10,000,000	2	63.3
6	23 January 2020	660	Wai Chun Bio-Technology Limited	HK\$44,085,368	3	(7.4)
7	23 January 2020	1873	Viva Biotech Holdings	US\$180,000,000	5	26.0
8	22 January 2020	1177	Sino Biopharmaceutical Limited	EUR750,000,000	5	57.5
9	14 January 2020	2020	ANTA Sports Products Limited	EUR1,000,000,000	5	40.0
10	13 January 2020	1488	Best Food Holding Company Limited	HK\$780,000,000	7	7.3
11	8 January 2020	1826	Dafy Holdings Limited	US\$8,000,000	1	13.0
				Maximum	7.0	63.3
				Minimum	1.0	(7.4)
				Median	3.0	13.0
				Average	3.7	21.0
	24 March 2020	6898	China Aluminum Cans Holdings Limited	HK\$271,825,440	5.0	10.0

Source: the Stock Exchange

Note: Not applicable, this convertible bond is perpetual.

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We noted that the premium/(discount) of the conversion price over/to the closing share price on the respective last trading day of the Comparable Convertible Issues ranged from a discount of approximately (7.4)% to a premium of approximately 63.3%, with the average and median being a premium of approximately 21.0% and 13.0%, respectively. The premium of approximately 10.0%, represented by the New Conversion Price of HK\$0.55 per Conversion Share over the closing Share price of HK\$0.50 on the Last Trading Day, therefore falls within the range of the Comparable Convertible Issues and is close to the median premium but is below average premium, respectively of the Comparable Convertible Issues. Furthermore, the maturity period of the Comparable Convertible Issues ranged from one year to seven years, with the average and median being approximately four years and three years, respectively. The proposed extension of the maturity date of the Convertible Note, being five years also falls within the range of the Comparable Convertible Issues and is slightly above the median and average maturity period of the Comparable Convertible Issues, respectively.

Having considered that (i) the New Conversion Price of the Convertible Note is above the prevailing Share price on the Last Trading Day; (ii) the premium over the closing Share price on the Last Trading Day represented by the New Conversion Price of the Convertible Note falls within the range of the Comparable Convertible Issues; (iii) the extension of the maturity date of the Convertible Note falls within the range of the Comparable Convertible Issues; and (iv) the upward Conversion Price Revision would result in less dilution in the shareholding of the Independent Shareholders, we consider that the New Conversion Price and the Extension to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Financial effects of the Proposed Amendments

Upon the Proposed Amendments becoming effective, the Company confirms and we agree with the financial effects to the Group to be as follows:

Asset and liabilities

As the Convertible Note is not redeemable and carries no interests, it contains 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. Given the above terms of the Convertible Note, it does not consist of a debt component typically embedded in other convertible bonds/notes. In this case, the Convertible Note is classified as equity and only has the equity component. The Proposed Amendments will not either increase or decrease such equity.

Earnings

Pursuant to the existing terms of the Convertible Note, there is no interest charge and therefore no interest expenses was recorded since the issuance of the Convertible Note in October 2014. It is expected that the Proposed Amendments will not change the interest-free nature of the Convertible Note. In addition, as discussed above, since the Convertible Note is classified as equity, no fair value adjustments would be accounted for in the income statement of the Company.

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Whether the Extension is approved by the Independent Shareholders shall have no impact on the earnings and net assets of the Group. Upon conversion of the Convertible Note or cessation of the conversion rights under the Convertible Note at maturity, only the equity component of the Convertible Note shall be transferred to the reserves of the Company.

6. Theoretical dilution effect on the shareholding interests of the public Shareholders under the Proposed Amendments

As at the Latest Practicable Date, Mr. Lin was beneficially interested in 660,546,000 Shares, representing approximately 73.25% of the entire issued share capital of the Company. Mr. Lin, together with another Director holding 1,200,000 Shares, were collectively beneficially interested in 661,746,000 Shares, representing approximately 73.38% of the entire issued share capital of the Company. The public Shareholders were interested in approximately 26.62% of the entire issued share capital of the Company.

Under the current terms and conditions of the Convertible Note, assuming full conversion of the Convertible Note based on the Adjusted Conversion Price of HK\$0.46 per Conversion Share with 590,924,869 Conversion Shares issued, Mr. Lin would be beneficially interested in 1,251,470,869 Shares, which when including the shareholding of the other Director, would be beneficially interested in 1,252,670,869 Shares, representing approximately 83.92% of the enlarged issued share capital of the Company while the public Shareholders would be interested in approximately 16.08% of the enlarged issued share capital of the Company. The shareholding dilution effect to the existing public Shareholders would be approximately 10.54% (the “**Existing CN Dilution**”).

Under the Proposed Amendments, assuming full conversion of the Convertible Note based on the New Conversion Price of HK\$0.55 per Conversion Share with 494,228,072 Conversion Shares issued, Mr. Lin would be beneficially interested in 1,154,774,072 Shares, which when including the shareholding of the other Director, would be beneficially interested in 1,155,974,072 Shares, representing approximately 82.81% of the enlarged issued share capital of the Company while the public Shareholders would be interested in approximately 17.19% of the enlarged issued share capital of the Company. The shareholding dilution effect to the existing public Shareholders would be approximately 9.43%. Under the Proposed Amendments, the shareholding dilution effect to the existing public Shareholders would be reduced by approximately 1.19%, comparing to the Existing CN Dilution, as a result of the upward adjustment from the Adjusted Conversion Price of HK\$0.46 per Conversion Share to the New Conversion Price of HK\$0.55 per Conversion Share.

Assuming the Proposed Amendments is approved in the AGM, in compliance with the minimum public float requirement of 25%, Mr. Lin may, over the course of the Extension of 5 years implement the Relief Measures.

We are aware of the potential dilution effect as a result of conversion of the Convertible Note. Nonetheless, in view of (i) as discussed above, the terms of the Deed of Amendment being fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the reasons for and the possible benefits of the Proposed Amendments to the Group, details of which are set out under the section headed “3. Reasons for and benefits of the Proposed Amendments” above, we consider that such potential dilution effect on the shareholding interests of the existing public Shareholders resulting from the Proposed Amendments to be acceptable.

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RECOMMENDATION

We are of the view that although the Original Conversion Term, as much as it appeared to be in the interests of the Independent Shareholders by forfeiting Mr. Lin's conversion rights under the Convertible Note and his right to be entitled to claim any cash or alternative form of settlement upon maturity of the Convertible Note, having considered the principal factors and reasons described above, which in particular, (i) the possible significant price distortion that could take place upon an immediate conduct of the Potential Sell Down; (ii) the terms of the Proposed Amendments generally compare favourably against the Comparable Amendments and the Comparable Convertible Issues; (iii) the improvement in the shareholding dilution to the Independent Shareholders when the New Conversion Price is effected; (iv) the importance of incentivising Mr. Lin as a critical member of the senior management of the Group; and (v) the currently depressed market environment is not ideal for any conversion of the Convertible Note and additional time should be allowed for the Share price to move above the New Conversion Price, we are of the opinion that the terms of the Proposed Amendments are on normal commercial terms, fair and reasonable so far the Independent Shareholders are concerned and the entering into of the Deed of Amendment and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution approving the Proposed Amendments at the AGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Director

Mr. Cheung On Kit Andrew is a Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 12 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the 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 SFO) held by the Directors and chief executive of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under 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 Companies adopted by the Company (the “**Model Code**”) were as follows:

(i) Long positions in the Shares and underlying Shares of the share options granted under the pre-IPO share option scheme of the Company

Names of Director	Number of Shares		Interests in a controlled corporation	Share options (Note 1)	Interests in underlying Shares	Total	Approximate percentage of the issued Shares (Note 2)
	Beneficial owner	Interest of family					
Mr. Lin	392,546,000	—	268,000,000 (Note 4)	—	660,546,000	73.25%	
Ms. Ko Sau Mee (“Mrs. Lin”)	—	392,546,000 (Note 3)	268,000,000 (Note 4)	—	660,546,000	73.25%	
Mr. Kwok Tak Wang	1,200,000	—	—	800,000	2,000,000	0.22%	

Notes:

- (1) These represents the awarded underlying Shares granted to the Directors under a pre-IPO share option scheme of the Company which was adopted on 20 June 2013.

- (2) These percentages had been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 901,785,000 Shares).
- (3) These Shares are held by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin by virtue of the SFO.
- (4) These Shares are held by Wellmass International Limited (“**Wellmass**”), which is wholly and beneficially owned by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin (through Wellmass) by virtue of the SFO.

(ii) *Long positions in the underlying Shares of the Convertible Note:*

Name of the holder of the Convertible Note	Principal amount of the Convertible Note	Number of the total underlying Shares	Approximate percentage of the issued Shares (Note 1)
Mr. Lin (Note 2)	271,825,440	251,690,222	27.91%

Notes:

- (1) These percentages had been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 901,785,000 Shares).
- (2) The Convertible Note was issued by the Company on 8 July 2015 as part of the consideration to the acquisition of Topspan and its subsidiaries on 20 May 2015. They are unlisted, interest-free and convertible up to 251,690,222 Shares as at the Latest Practicable Date. The interest is held by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin by virtue of the SFO.

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 the Latest Practicable Date, 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.

(b) Substantial Shareholder

As at the Latest Practicable Date, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company 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:

Long positions in the Shares

Name of Shareholder	Capacity/ Nature of interests	Number of Shares held	Approximate percentage of the issued Shares (Note 1)
Wellmass (Note 2)	Beneficial owner	268,000,000	29.72%

Notes:

- (1) These percentages had been compiled based on the total number of issued Shares as at the Latest Practicable Date (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. Mrs. Lin is the spouse of Mr. Lin and is therefore deemed to be interested in all the Shares held by Mr. Lin (through Wellmass) by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position 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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

4. COMPETING INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

6. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors (i) had any direct or indirect interest in any assets which had been, since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular or has given opinion or advice which is contained in this circular:

Name	Qualifications
Opus Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Opus Capital (i) did not have any shareholding in any member of the Group or right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which had been, since 31 December 2019 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its name in the form and context in which it appears.

8. GENERAL

- (i) The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is located at Unit G, 20/F., Golden Sun Centre, Nos. 59/67 Bonham Strand West, Sheung Wan, Hong Kong.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited.
- (iv) The principal share registrar and transfer office of the Company is Estera Trust (Cayman) Limited.
- (v) The company secretary of the Company is Ms. Ho Wing Yan.
- (vi) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation..

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Unit G, 20/F., Golden Sun Centre, Nos. 59/67 Bonham Strand West, Sheung Wan, Hong Kong during 9:00 a.m. to 5:30 p.m. on any business day in Hong Kong, from the date of this circular for a period of 14 days:

- (i) the articles of association of the Company;
- (ii) the annual reports of the Company for each of the three years ended 31 December 2017, 2018 and 2019;
- (iii) the Deed of Amendment;
- (iv) the instrument dated 3 October 2014 constituting the Convertible Note;
- (v) the letter of advice from the Independent Board Committee, the text of which is set out on page 23 in this circular;
- (vi) the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 24 to 39 in this circular;
- (vii) the written consent referred to in the paragraph headed "Expert and Consent" in this Appendix; and
- (viii) this circular.

Adjustments of Conversion Price:

(I) The conversion price (the “**Conversion Price**”) of the Convertible Note shall from time to time be adjusted in accordance with the following provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of paragraphs (1) to (7) below, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:

- (1) If and whenever there shall be an alteration to the nominal amount of a Share by reason of any consolidation or subdivision, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business on the Business Day immediately preceding the date on which the relevant consolidation or subdivision (as the case may be) becomes effective, PROVIDED THAT, where the Conversion Date shall fall on or before the said Business Day but the Company shall not by the close of business on the said Business Day have allotted the relative Shares in accordance with its obligations hereunder, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the noteholder in accordance with the conversion right, be deemed to have become effective before the Conversion Date.

- (2) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C + D}$$

where:

C = the aggregate nominal amount of the Shares in issue immediately before such issue;
and

D = the aggregate nominal amount of the Shares issued in connection with and as a result of such capitalisation,

PROVIDED THAT if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital, the Conversion Price shall be adjusted in such manner as an Approved Merchant Bank or the auditors of the Company shall certify to be appropriate, having regard to the relative interests of the persons affected thereby.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (3) If and whenever the Company shall make (whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its own shares which is permitted by law and by the rules of the Stock Exchange and in accordance with the provisions of the Company's memorandum of association and articles of association) any capital distribution to holders of Shares (in their capacity as such) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such capital distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the Market Price on the date on which the capital distribution or, as the case may be, the grant is publicly announced (whether or not such capital distribution or grant is subject to the approval of the holders of Shares or other persons) or (if there is no such announcement) immediately preceding the date of such capital distribution or, as the case may be, the grant (or, where there is no closing price on such dealing day, the closing price on the dealing day on which there was a closing price immediately preceding the relevant date); and

F = the amount calculated by dividing the fair market value on the day of such announcement or (as the case may require) the day immediately preceding the date of such capital distribution or, as the case may be, the grant, as determined in good faith by an Approved Merchant Bank or the auditors of the Company, of such capital distribution or of such rights by the number of Shares participating in such capital distribution or, as the case may be, in the grant of such rights,

PROVIDED THAT:

- (a) if in the opinion of the relevant Approved Merchant Bank or the auditors of the Company, the use of the fair market value as aforesaid produces a result which, having regard to the relative interests of the persons affected thereof, is significantly inequitable, it may instead determine and in such event the above formula shall be construed as if F meant the portion of the said closing price which should, in its opinion, properly be attributed to the value of the relevant capital distribution or rights; and
- (b) the provisions of this paragraph (3) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant capital distribution or grant.

- (4) If and whenever the Company shall offer to holders of Shares new Shares for conversion by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price per new Share which is less than 90% of the Market Price at the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Shares or other persons), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G + H}{G + I}$$

where:

G = the number of Shares in issue immediately before the date of such announcement;

H = the number of Shares which the aggregate of the two following amounts would purchase at such Market Price:

- (a) the total amount (if any) payable for the rights, options or warrants being offered or granted; and
- (b) the total amount payable for all of the new Shares being offered for conversion or comprised in the options or warrants being granted; and

I = the aggregate number of Shares being offered for conversion or comprised in the options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant.

- (5) (a) If and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of conversion for new Shares, and the Total Effective Consideration (as defined below) per new Share initially receivable for such securities is less than 90% of the Market Price at the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Shares or other persons), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{J + K}{J + L}$$

J = the number of Shares in issue immediately before the date of the issue of such securities;

K = the number of Shares which the Total Effective Consideration receivable for such securities would purchase at such Market Price; and

L = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the conversion rights conferred by, such securities at their relative initial conversion or exchange rate or conversion price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business on the Business Day immediately preceding the date on which the issuer of the relevant securities determines the conversion or exchange rate or conversion price in respect of such securities or, to the extent that the relevant issue is announced (whether or not subject to the approval of holders of Shares or other persons) and the date of such announcement is earlier than the said date, the Business Day immediately preceding the date of such announcement.

- (b) If and whenever the rights of conversion or exchange or conversion attached to any such securities as are mentioned in sub-paragraph (a) above of this paragraph (5) are modified so that the Total Effective Consideration per new Share initially receivable for such securities shall be less than 90% of the Market Price at the date of announcement of the proposal to modify such rights of conversion or exchange or conversion, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by following fraction:

$$\frac{M - N}{M}$$

where:

M = the current market price of one share on the last trading date preceding the date on which such modification is announced; and

N = is the difference between the fair value of the modification on a per share basis on the date of such announcement and the consideration received for the modification on a per share basis of such modification; and

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or conversion shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or conversion terms.

- (c) For the purposes of this paragraph (5):
- (i) the “**Total Effective Consideration**” receivable for the relevant securities shall be deemed to be the aggregate consideration receivable by the issuer of such securities for the issue thereof plus the additional minimum consideration (if any) to be received by such issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the conversion rights attaching thereto; and
 - (ii) the Total Effective Consideration per new Share initially receivable for such securities shall be such aggregate consideration divided by the maximum number of new Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the conversion rights attaching thereto at the initial conversion price, in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.
- (6) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the Market Price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P - Q}{P}$$

where:

P = the Market Price per share at the date of the announcement; and

Q = the difference between the market price per share on the date of the announcement and the issue price per share of such issue.

Such adjustment shall become effective on the date of the issue.

- (7) If and whenever the Company shall be permitted by law and, by the rules of the Stock Exchange and in accordance with the provisions of its memorandum of association and articles of association to purchase and shall make an offer or invitation to holders of Shares to tender for sale to the Company any Shares or if the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange, or any recognised stock exchange, being a stock exchange recognised for this purpose by the Securities and Futures Commission or equivalent authority and the Stock Exchange) and the Directors consider that it may be appropriate to make an adjustment to the Conversion Price, at that time the Directors shall appoint an Approved Merchant Bank or the auditors of the Company to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Conversion Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such Approved Merchant Bank or the auditors of the Company shall consider in its opinion that it is appropriate to make an adjustment to the Conversion Price, an adjustment to the Conversion Price shall be made in such manner as such Approved Merchant Bank or the auditors of the Company shall certify to be, in its opinion, appropriate. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which such purchase by the Company are made. For any avoidance of doubt, the per share value of adjustment cannot exceed the per share value of dilution in the shareholder's interest.

(II) The provisions of paragraphs (2), (3), (4), (5) and (6) above shall not apply to:

- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the exercise of the conversion right) to acquire Shares (including for the avoidance of doubt the share options presently in issue by the Company);
- (ii) an issue by the Company of Shares or by the Company or any subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or in part consideration for the acquisition of any other securities, assets or business;
- (iii) an issue of fully-paid Shares by way of capitalisation of all or part of any reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into, or carrying rights to acquire, Shares;

- (iv) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares in aggregate is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash, for which purpose the “market value” of a Share shall mean the average of the closing prices on the Stock Exchange for the five consecutive trading days on each of which there is a closing price ending on the last such trading day immediately preceding the day on or as of which holders of Shares may, pursuant to such scrip dividend scheme, elect to receive or (as the case may be) not to receive the relevant dividend in cash; or
- (v) an issue by the Company of Shares or by the Company or any subsidiary of securities convertible into or exchangeable for or carrying rights of conversion for Shares pursuant to the share option scheme(s) adopted by the Company from time to time or any other options or warrants (if any) subsisting as at the date hereof.

(III) Notwithstanding the foregoing provisions, in any circumstances where the Directors shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the foregoing provisions or that such adjustment shall take effect on a different date or at a different time from that provided under the said provisions, the Company shall appoint an Approved Merchant Bank or the auditors of the Company to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Approved Merchant Bank or the auditors of the Company shall consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect on a different date and/or time as shall be certified by such Approved Merchant Bank or the auditors of the Company to be in its opinion appropriate. For any avoidance of doubts, the per share value of adjustment cannot exceed the per share value of dilution in the shareholder’s interest.

(IV) Any adjustment to the Conversion Price shall be made to the nearest one cent (so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up) and in no event shall any adjustment (otherwise than upon the consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) involve an increase in the Conversion Price. In addition to any determination which may be made by the Directors, every adjustment to the Conversion Price shall, save as otherwise expressly provided herein, be certified either (at the option of the Company) by an Approved Merchant Bank or the auditors of the Company.

(V) Notwithstanding anything contained in the instrument or the certificates, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions would be less than 1% and any adjustment that would otherwise be required then to be made shall not be carried forward.

(VI) Whenever the Conversion Price is adjusted as herein provided, the Company shall give notice to the noteholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times until Conversion Date make available for inspection by noteholders at its registered office in Hong Kong or such other place as may be notified to the noteholders from time to time where copies of the same may be obtained, a signed copy of the said certificate of the auditors of the Company or of the relevant Approved Merchant Bank and a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to any noteholder.

(VII) If the Company or any subsidiary shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an Approved Merchant Bank or the auditors of the Company to consider whether any adjustment to the Conversion Price is appropriate (and if such Approved Merchant Bank or the auditors of the Company shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly and the provisions of (IV), (V) and (VI) shall apply).

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to you for your consideration of the Repurchase Mandate.

LISTING RULES RELATING TO THE REPURCHASES OF SECURITIES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase shares on the Stock Exchange and any other stock exchange on which securities of the company are listed and such exchange is recognised by the Securities and Futures Commission of Hong Kong subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such company must be fully paid up and all repurchases of shares by such company must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by specific approval of a particular transaction.

SHARE CAPITAL

As at the Latest Practicable Date, there were a total of 901,785,000 Shares in issue.

The Repurchase Mandate will enable the Directors to repurchase the Shares up to a maximum of 10% of the aggregate amount of shares of the Company in issue as at the date of passing the relevant ordinary resolution at the AGM. Subject to the passing of the proposed resolution granting the Repurchase Mandate and assuming that no further Shares will be issued or repurchased prior to the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 90,178,500 Shares.

The Repurchase Mandate will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Company's memorandum of association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (c) the time when such mandate is revoked or varied by ordinary resolution of the Shareholders in general meeting prior to the next annual general meeting of the Company.

FUNDING OF REPURCHASE

Repurchases must be funded out of funds legally available for the purpose in accordance with the Company's memorandum of association, the Articles and the applicable laws and regulations of the Cayman Islands.

It is presently proposed that any purchase of the Shares would be made out of profits of the Company or the proceeds of a fresh issue made for the purchase or out of capital provided that on the day immediately following the date of repurchase the Company is able to pay its debts as they fall due in the ordinary course of business.

As compared with the financial position of the Company as at 31 December 2019 (being the date of its latest audited accounts), the Directors consider that there would not be a material adverse impact on the working capital or gearing position of the Company if the Repurchase Mandate is to be exercised in full during the proposed repurchase period. However, the Directors do not propose to

exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital or the gearing level (as compared with the position disclosed in its most recent published audited accounts) which in the opinion of the Directors are from time to time appropriate for the Company.

REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate is in the best interest of the Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

DIRECTORS, THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules) currently intends to sell any Shares to the Company under the Repurchase Mandate if the same is approved by the Shareholders at the AGM.

As at the Latest Practicable Date, no core connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is approved by the Shareholders at the AGM.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power to make repurchase pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If as a result of a repurchase of Shares a Shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, the details of the controlling shareholder's shareholding interest in the Company are as follows:

Name	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Lin Wan Tsang ("Mr. Lin")	Interest in a controlled corporation (<i>Note 1</i>)	268,000,000	29.72%
	Beneficial owner	392,546,000	43.53%
Wellmass International Limited ("Wellmass")	Beneficial owner (<i>Note 1</i>)	268,000,000	29.72%

Note 1: Wellmass is 100% beneficially owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the Shares held by Wellmass.

Note 2: Mr. Lin is interested in approximately HK\$271.8 million convertible notes of the Company which is convertible into 251,690,222 Shares at a conversion price of HK\$1.08.

As at the Latest Practicable Date, altogether representing Mr. Lin and Wellmass owned approximately 73.25% of the issued share capital of the Company.

In the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the combined interests of Wellmass and Mr. Lin in the Company would increase to approximately 81.39% of the issued share capital of the Company and such an increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeover Code. The Company will not repurchase Shares if that repurchase 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.

SHARE REPURCHASE MADE BY THE COMPANY

During the six months preceding the Latest Practicable Date, the Company has repurchased a total of 36,394,000 Shares on the Stock Exchange as follows:

Date of Repurchase	Number of Shares Repurchased	Price paid per Share	
		Highest HK\$	Lowest HK\$
9 September 2019	888,000	0.510	0.485
10 September 2019	500,000	0.530	0.530
11 September 2019	10,000	0.520	0.520
12 September 2019	300,000	0.530	0.530
18 September 2019	356,000	0.520	0.510
26 September 2019	600,000	0.530	0.530
2 October 2019	346,000	0.520	0.520
14 October 2019	520,000	0.560	0.550
15 October 2019	450,000	0.550	0.550
18 October 2019	30,000	0.470	0.470
23 December 2019	18,782,000	0.560	0.530
24 December 2019	13,226,000	0.570	0.550
30 December 2019	386,000	0.570	0.520
Total	<u>36,394,000</u>		

SHARE PRICES

The highest and lowest price at which the Shares were traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date were as follows:

Month	Per Share	
	Highest HK\$	Lowest HK\$
2019		
April	1.200	1.090
May	1.180	0.990
June	1.130	0.465
July	0.500	0.405
August	0.500	0.425
September	0.590	0.460
October	0.610	0.420
November	0.445	0.305
December	0.580	0.315
2020		
January	0.600	0.470
February	0.550	0.470
March	0.540	0.450
April ^(Note)	0.500	0.485

Note: Up to the Latest Practicable Date

The following are the particulars of the retiring Directors (as required by the Listing Rules) who are subject to re-election at the AGM.

(1) MR. KWOK TAK WANG

Mr. Kwok Tak Wang (郭德宏, “Mr. Kwok”), aged 56, is a non-executive Director. He is also a member of each of the remuneration committee, the nomination committee and the risk management committee of the Company. He was a director of Euro Asia Packaging, an indirect wholly owned subsidiary of the Company, from July 2008 to October 2011 and from October 2012 to January 2013. Mr. Kwok obtained a Master’s degree in Business Administration from University of Chicago in 1997 and obtained a Master’s degree in Computer Engineering from University of Southern California in 1992. He graduated from University of Wisconsin-Madison with a Bachelor’s degree in Electrical Engineering in 1990.

Mr. Kwok is experienced in financial management and investment. Prior to joining our Group, he served as the managing director in JRE Asia Capital (Hong Kong) Limited from 2010 to 2012. He also served as the managing director in Credit Suisse Capital Advisors (Hong Kong) Limited from 2008 to 2010.

Mr. Kwok has entered into a service agreement with the Company for a term of one year commencing from 12 July 2015 and shall continue thereafter, provided that either the Company or Mr. Kwok may terminate such appointment at any time by giving at least one month’s notice in writing to the other. The appointment shall terminate automatically in the event of Mr. Kwok ceasing to be a Director for whatever reason. Mr. Kwok is subject to retirement from office and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles. Mr. Kwok was entitled to HK\$415,800 per annum for his appointment.

As at the Latest Practicable Date, Mr. Kwok has the interest in the 1,200,000 Shares and 800,000 share options within the meaning of Part XV of the SFO, which is equivalent to approximately 0.21% of the total issued Shares.

Save as disclosed above, as at the Latest Practicable Date, Mr. Kwok (i) has not held any directorship in other listed companies in the past three years; (ii) is not connected with any existing Directors, substantial Shareholders, controlling shareholders or senior management of the Company; and (iii) does not have any interest in the Shares and other securities of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

There is no other information relating to Mr. Kwok that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there is no other matter that needs to be brought to the attention of the Shareholders.

(2) MS. GUO YANG

Ms. Guo Yang (郭楊, “Ms. Guo”), aged 58, is our independent non-executive Director. She is also the chairman of the remuneration committee of the Company, the member of the audit committee and the nomination committee of the Company. Ms. Guo completed a professional course in economics management from Correspondence College of Party School of Central Committee of the Communist Party of China* (中共中央黨校函授學院) in 2001 and a professional course in industrial enterprise management from Beijing Open University (北京廣播電視大學) in 1986.

Ms. Guo has over 20 years of experience in the packaging industry. She has been the deputy secretary-general of the Aerosol Packaging Committee (氣霧劑專業委員會) of CPF since July 2011. During the period from January 1988 to July 2011, she worked in the following positions in CPF: the principal staff member of the Secretariat, the vice-chairman of the Office of Finance, the minister and the vice-minister of the Industry Department, the secretary-general of the Aerosol Packaging Committee (氣霧劑專業委員會) and the Aseptic Packaging Committee (無菌包裝委員會) as well as the deputy secretary-general of the Circular Economic Committee (循環經濟委員會). She also served as the manager of the Management Department of Concept Figure (Beijing) International Exhibition Company Limited* (觀圖(北京)國際展覽有限責任公司), the officer of the Federation of China Packaging Entrepreneurs* (中國包裝企業家聯合會).

Ms. Guo has entered into a service contract with the Company on 20 June 2015. The service contract is for a term of one year commencing from the date of the service contract and shall continue thereafter, provided that either the Company or Ms. Guo may terminate such appointment at any time by giving at least one month’s notice in writing to the other. The appointment shall terminate automatically in the event of Ms. Guo ceasing to be a Director for whatever reason. Ms. Guo is subject to retirement from office and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles. Ms. Guo was entitled to HK\$190,560 per annum for her appointment.

Save as disclosed above, as at the Latest Practicable Date, Ms. Guo (i) has not held any directorship in other listed companies in the past three years; (ii) is not connected with any existing Directors, substantial Shareholders, controlling shareholders or senior management of the Company; and (iii) does not have any interest in the Shares and other securities of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

There is no information relating to Ms. Guo that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there is no other matter that needs to be brought to the attention of the Shareholders.

(3) MR. YIP WAI MAN RAYMOND

Mr. Yip Wai Man Raymond (葉偉文, “Mr. Yip”), aged 49, is our independent non-executive Director. He is also the chairman of the audit committee of the Company, the member of the nomination committee, the remuneration committee and the risk management committee of the Company. Mr. Yip obtained a Bachelor of Commerce from the Memorial University of Newfoundland in May 1994. He has been admitted by the Council of The University of New South Wales and the Senate of The University of Sydney with a degree of Master of Business Administration in October 2004. Mr. Yip became a member of the Institute of Chartered Accountants in Australia in January 2001, a certified general accountant of the Certified General Accountants’ Association of Canada in September 1996 and an associate of the Hong Kong Society of Accountants in February 2002.

Mr. Yip has obtained over 17 years of experience in financial management. He worked for Ernst & Young from July 1996 to September 2001. Mr. Yip was employed by Fittec Electronics Co., Ltd. as a financial controller between February 2002 and December 2004. He worked for Funmobile Limited from February 2005 to September 2011 with last position of chief financial officer.

Mr. Yip had been a director of GPRO Technologies Berhad (now known as G Neptune Berhad), shares of which are listed on the ACE Market (GNB (0045)), Malaysia between November 2011 and March 2014 and a director of Industronics Berhad, shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad (Itronic (9393)), Malaysia between January 2013 and February 2014.

Mr. Yip has entered into a service contract with the Company under which he acts as an Independent non-executive Director for an initial fixed terms of one year commencing on 27 May 2016 and shall continue thereafter until terminated by either party by giving not less than three months’ notice in writing at any time after such initial fixed term to the other and he is subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles. Pursuant to the service contract, Mr. Yip is entitled to receive an annual salary of HK\$190,560 for his appointment as an independent non-executive Director and may also be entitled to a discretionary bonus if so recommended by the remuneration committee of the Company and approved by the Board having regard to the operation results of the Group and his performance, provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year may not exceed five percent of the audited consolidated net profits of the Group after taxation and minority interest but before extraordinary items attributable to Shareholders of the Company of the relevant year.

As at the Latest Practicable Date, Mr. Yip (i) has not held any directorship in other listed companies in the past three years; (ii) is not connected with any existing Directors, substantial Shareholders, controlling shareholders or senior management of the Company; and (iii) does not have any interest in the Shares and other securities of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

There is no other information relating to Mr. Yip that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there is no other matter that needs to be brought to the attention of the Shareholders.

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

CHINA ALUMINUM CANS HOLDINGS LIMITED

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of China Aluminum Cans Holdings Limited 中國鋁罐控股有限公司 (the “**Company**”) will be held at Room Diamond, Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong on Friday, 15 May 2020 at 2:30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries together with the directors’ report and the independent auditor’s report for the financial year ended 31 December 2019.
2. To declare a final dividend of HK0.37 cent per ordinary share of the Company in respect of the financial year ended 31 December 2019.
3. (A) (i) To re-elect Mr. Kwok Tak Wang as a non-executive director of the Company;
(ii) To re-elect Ms. Guo Yang as an independent non-executive director of the Company; and
(iii) To re-elect Mr. Yip Wai Man Raymond as an independent non-executive director of the Company;
(B) To authorise the board of directors of the Company to fix the remuneration of the directors of the Company.
4. To re-appoint the Company’s auditor and to authorise the board of directors to fix the remuneration of the auditor.

AS SPECIAL BUSINESS

5. To consider and, if thought fit, pass with or without modifications, the following resolution as ordinary resolution of the Company:

“THAT

- (a) subject to paragraph (c) below, and pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this resolution)

NOTICE OF ANNUAL GENERAL MEETING

of all the powers of the Company to allot, issue and deal with any unissued shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the shares in the capital of the Company to be issued either during or after the end of the Relevant Period (as hereinafter defined);
- (c) the aggregate nominal value of the share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares upon the exercise of options which may be granted under any share option scheme or under any option scheme or similar arrangement for the time being adopted for the grant or issue to Directors, officers and/or employees of the Company and/or any of its subsidiaries or any other person of shares or rights to acquire shares of the Company; or (iii) any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of the Company in force from time to time; or (iv) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20% of the total amount of the shares of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of the Company or any applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this resolution.

“**Rights Issue**” means an offer of shares of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders

NOTICE OF ANNUAL GENERAL MEETING

of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

6. To consider and, if thought fit, pass with or without modifications, the following resolution as ordinary resolution of the Company:

“THAT

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal value of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period (as hereinafter defined) shall not exceed 10% of the total amount of the shares of the Company in issue at the date of the passing of this resolution, and the authority granted pursuant to paragraph (a) above shall be limited accordingly;
- (c) subject to the passing of each of the paragraph (a) and (b) of this resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this resolution which has been granted to the Directors of the Company and which are still in effect be and are hereby revoked; and
- (d) for the purposes of this resolution, “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of the Company or any applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

7. To consider and, if thought fit, pass with or without modifications, the following resolution as ordinary resolution of the Company:

“**THAT** conditional upon the ordinary resolutions set out in paragraph 5 and 6 of the notice convening this meeting being passed, the general mandate granted to the Directors of the Company to allot, issue and deal in any unissued shares pursuant to the ordinary resolution set out in paragraph 5 of the notice convening this meeting be and is hereby **extended** by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to the ordinary resolution set out in paragraph 6 of the notice convening this meeting, provided that such extended amount shall not exceed 10% of the total amount of the shares of the Company in issue at the date of the passing of this resolution.”

8. To consider and, if thought fit, pass with or without modifications, the following resolution as ordinary resolution of the Company:

“**THAT**

- (a) the deed of amendment dated 24 March 2020 (the “**Deed of Amendment**”) entered into between the Company and Mr. Lin Wan Tsang in relation to the amendment of certain terms and conditions (the “**Proposed Amendments**”) of the convertible note (the “**Convertible Note**”) issued by the Company to satisfy part of the consideration for the acquisition of the entire issued share capital of Topspan Holdings Limited which was completed in May 2015 (a copy of the Deed of Amendment has been produced to the meeting marked “A” and signed by the chairman of the AGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) subject to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) having approved the Proposed Amendments, and the Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Conversion Shares (as defined below) on the Stock Exchange, the board of the directors (the “**Directors**”) of the Company be and is hereby granted a specific mandate (the “**Specific Mandate**”) for the allotment and issue of 494,228,072 shares of the Company upon exercise of the conversion rights under the Convertible Note (as amended by the Deed of Amendment) (the “**Conversion Shares**”); and

NOTICE OF ANNUAL GENERAL MEETING

- (c) the Directors be and are hereby authorised to execute all such documents and do all such acts and things as they consider desirable, necessary or expedient in connection with and to give effect to the Deed of Amendment (including the grant of the Specific Mandate) and the transactions contemplated thereunder.”

By order of the Board of
China Aluminum Cans Holdings Limited
中國鋁罐控股有限公司
Lin Wan Tsang
Chairman and executive Director

Hong Kong, 9 April 2020

As at the date of this notice, the executive Directors are Mr. Lin Wan Tsang and Mr. Dong Jiangxiong; the non-executive Director is Mr. Kwok Tak Wang; and the independent non-executive Directors are Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond.

Notes:

1. Any Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder.
2. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or the adjourned meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorized.
4. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, then one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holder stand on the register in respect of the relevant joint holding.
6. The form of proxy must be signed by the appointor or by his attorney authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.

NOTICE OF ANNUAL GENERAL MEETING

7. For the purposes of determining the eligibility of the Company's Shareholders to attend and vote at the above meeting, and entitlement to the proposed final dividend for the year ended 31 December, 2019 (the "**Final Dividend**"), the Company's register of members (the "**Register of Members**") will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the above meeting:

Latest time to lodge transfers	4:30 p.m. on Monday, 11 May 2020
Closure of Register of Members	Tuesday, 12 May 2020 to Friday, 15 May 2020 (both dates inclusive)
Record date	Friday, 15 May 2020

(ii) For determining entitlement to the Final Dividend:

Latest time to lodge transfers	4:30 p.m. on Friday, 22 May 2020
Closure of Register of Members	Monday, 25 May 2020 to Wednesday, 27 May 2020 (both days inclusive)
Record date	Wednesday, 27 May 2020

During the above closure periods, no transfer of shares of the Company will be registered. To be eligible to attend and vote at the above meeting, and to qualify for entitlement to the Final Dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the aforementioned latest time.