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China Aluminum Cans Holdings Limited

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6898)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Aluminum Cans Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019. These results have been reviewed by Ernst & Young, the external auditor of the Group, and the audit committee of the Company (the “Audit Committee”).

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

For the six months ended 30 June 2020

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

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

For the six months ended 30 June 2020

	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit attributable to:			
Owners of the parent		13,988	36,175
Non-controlling interests		255	899
		<u>14,243</u>	<u>37,074</u>
Total comprehensive income attributable to:			
Owners of the parent		7,138	35,367
Non-controlling interests		164	889
		<u>7,302</u>	<u>36,256</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
7			
Basic			
– For profit for the period		<u>HK1.6 cents</u>	<u>HK3.9 cents</u>
– For profit from continuing operations		<u>HK1.6 cents</u>	<u>HK2.3 cents</u>
Diluted			
– For profit for the period		<u>HK1.0 cents</u>	<u>HK3.0 cents</u>
– For profit from continuing operations		<u>HK1.0 cents</u>	<u>HK1.7 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020	31 December 2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,866	2,069
Deferred income		<u>1,661</u>	<u>1,792</u>
 Total non-current liabilities		 <u>3,527</u>	 <u>3,861</u>
 Net assets		 <u><u>322,366</u></u>	 <u><u>318,935</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	10	9,018	9,342
Equity component of convertible notes		271,826	271,826
Reserves		<u>37,072</u>	<u>33,028</u>
		317,916	314,196
 Non-controlling interests		 <u>4,450</u>	 <u>4,739</u>
 Total equity		 <u><u>322,366</u></u>	 <u><u>318,935</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2020 for the first time for the current period's financial information.

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

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

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

3. REVENUE FROM CONTINUING OPERATIONS

An analysis of revenue is as follows:

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

Disaggregated revenue information for revenue from contracts with customers

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

4. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

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

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Mainland China	3,321	4,871
Current – Hong Kong	1,615	1,829
Deferred	(288)	(156)
	<u>4,648</u>	<u>6,544</u>
Total tax charge for the period from continuing operations	4,648	6,544
Total tax charge for the period from a discontinued operation	—	7,921
	<u>4,648</u>	<u>14,465</u>

6. DIVIDENDS

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

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

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

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

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

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the period is based on the consolidated profit for the period attributable to the ordinary equity holders of the parent, and on the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the consolidated profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

8. TRADE AND BILLS RECEIVABLES

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

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

9. TRADE AND BILLS PAYABLES

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

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

10. SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Aluminum Cans Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the manufacture and sale of monobloc aluminum aerosol cans, which are generally used in the packaging of fast-moving personal care products such as sanitizer products, body deodorant, hair styling products and shaving cream, as well as pharmaceutical products such as pain relieving spray, spray dressing and antiseptic spray. The Group has a wide range of extrusion dies available to produce more than 50 models of aluminum aerosol cans of base diameters from 22 mm to 66 mm and heights from 58 mm to 240 mm with various features and shapes for our customers’ selection.

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

OPERATING ENVIRONMENT AND PROSPECTS

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

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

FINANCIAL REVIEW

Turnover

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

PRC and overseas customers

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs

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

Net Profit

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

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

TREASURY POLICY

The Group adopts treasury policy that aims to better control its treasury operations and lower borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

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

Borrowings and the Pledge of Assets

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

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

Gearing Ratio

As a result of the decrease in cash and cash equivalents and the decrease in total borrowings of the Group, the gearing ratio which is calculated by dividing net debt by total equity, amounted to approximately -21.1% as at 30 June 2020 (31 December 2019: approximately -15%).

CAPITAL STRUCTURE

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

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

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

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

FORWARD PURCHASE OF ALUMINUM INGOTS

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

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

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

EMPLOYEES AND EMOLUMENTS POLICY

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

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2020, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 28 June 2013 (the “Prospectus”) were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the public offer and placing of the Shares (the “Share Offer”) were approximately HK\$80 million. During the six months ended 30 June 2020, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds (HK\$ million)	Actual amount	Actual amount	Remaining	Expected timeline for unutilised net proceeds
		utilized up to 31 December 2019 (HK\$ million)	utilized subsequent to 31 December 2019 and up to 30 June 2020 (HK\$ million)	unutilized balance as at 30 June 2020 (HK\$ million)	
Partially fund the expansion of our production capacity, including the upgrade of our existing production lines and the acquisition of a brand new production line for aluminum aerosol cans	48.0	48.0	—	—	
Establish a new research and development laboratory	12.0	3.3	—	8.7	31 December 2020
Partially repay US\$ denominated bank loan	16.0	16.0	—	—	
General working capital purposes	4.0	4.0	—	—	
	<u>80.0</u>	<u>71.3</u>	<u>—</u>	<u>8.7</u>	

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTRACTUAL OBLIGATIONS

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

CONTINGENT LIABILITIES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

EVENTS AFTER REPORTING PERIOD

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements matters of the Group for the six months ended 30 June 2020 and recommended its adoption by the Board.

RISK MANAGEMENT COMMITTEE

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

The Risk Management Committee has reviewed the hedging policies regarding its activities in forward purchases of aluminum ingots and entering into foreign currency forward contracts statements of the Group for the six months ended 30 June 2020 and is of the opinion that the Group has complied with the hedging policy.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2020, except the CG Code provision A.2.1.

Pursuant to the CG Code provision A.2.1, the role(s) of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of chairman and chief executive of the Company (the “Chief Executive”) are performed by Mr. Lin, the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Lin’s experience and established market reputation in the industry, and the importance of Mr. Lin in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 September 2020 to 7 September 2020, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 2 September 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.6898hk.com>). The interim report of the Company for the six months ended 30 June 2020 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 17 August 2020

As at the date of this announcement, 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 and Mr. Yip Wai Man Raymond.

** For identification purpose only*