
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to what action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Aluminum Cans Holding Limited, you should at once hand this circular accompanying with the form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

(1) CONTINUING CONNECTED TRANSACTIONS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 27 of this circular.

A notice convening the EGM to be held at Room Diamond, Level 22, Nexus Building, 41 Connaught Road Central, Hong Kong on Friday, 28 January 2022 at 2:00 p.m., Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you intend to attend and vote in person at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to 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, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM 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 EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

10 January 2022

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	13
Letter from the Independent Financial Adviser	14
Appendix — General Information	I-1
Notice of the EGM	EGM-1

DEFINITIONS

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

“Annual Caps”	the proposed annual maximum aggregate value for the sale of the Products by the Group to the Precious Dragon Group under the New Master Supply Agreement for three years from 1 January 2022 to 31 December 2024 (both days inclusive)
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the New Master Supply Agreement (including the Annual Caps)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Aluminum Cans”	Hong Kong Aluminum Cans Limited (香港鋁罐有限公司), a company incorporated in Hong Kong with limited liability on 6 September 2012 and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee, comprising the three independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Yip Wai Man Raymond, formed to advise the Independent Shareholders in respect of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps)

DEFINITIONS

“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders, other than Mr. Lin and his associates, who are entitled to vote at the EGM in respect of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) pursuant to the Listing Rules and all applicable laws
“Latest Practicable Date”	3 January 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 17 April 2019
“Mr. Lin”	Mr. Lin Wan Tsang, the controlling Shareholder
“New Master Supply Agreement”	the master supply agreement dated 8 December 2021 (after trading hours) entered into between Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) in relation to the sale of the Products by the Group to the Precious Dragon Group for a term of three years from 1 January 2022 to 31 December 2024
“Precious Dragon”	Precious Dragon Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 4 May 2018, the shares of which are listed on the main board of the Stock Exchange (stock code: 1861)
“Precious Dragon Group”	Precious Dragon and its subsidiaries
“Products”	certain monobloc aluminum aerosol cans

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Supplemental Agreement”	the supplemental agreement to the Master Supply Agreement dated 7 May 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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 Directors:

Mr. Kwok Tak Wang

Independent Non-executive Directors:

Dr. Lin Tat Pang

Ms. Guo Yang

Mr. Yip Wai Man Raymond

Registered office:

Windward 3

Regatta Office Park

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

10 January 2022

To the Shareholders,

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 8 December 2021 in relation to the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

The purpose of this circular is to provide you with further information in relation to, among other things, (i) details of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules.

LETTER FROM THE BOARD

BACKGROUND

On 17 April 2019 (after trading hours), Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the Master Supply Agreement in relation to the sale of the Products by the Group to the Precious Dragon Group, which was subsequently amended and supplemented by the Supplemental Agreement.

The Master Supply Agreement expired on 31 December 2021. As the Group will continue to sell the Products to the Precious Dragon Group after 31 December 2021 during its ordinary course of business, on 8 December 2021, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the New Master Supply Agreement in relation to the sale of the Products by the Group to the Precious Dragon Group for a term of three years from 1 January 2022 to 31 December 2024 (both days inclusive).

NEW MASTER SUPPLY AGREEMENT

1. Principal terms

The principal terms of the New Master Supply Agreement are as follows:

Date:	8 December 2021 (after trading hours)
Parties:	Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies); and Precious Dragon (for itself and on behalf of its subsidiaries)
Term:	From the 1 January 2022 to 31 December 2024 (both days inclusive)

Pursuant to the terms of the New Master Supply Agreement and subject to the terms and conditions of each relevant purchase order, the Group agreed to sell the Products to the Precious Dragon Group, and the Precious Dragon Group agreed to purchase the Products from the Group during the term of the New Master Supply Agreement.

2. Pricing basis

Pursuant to the New Master Supply Agreement, the Group and the Precious Dragon Group agreed to enter into separate purchase orders in respect of each purchase of the Products to specify the details of each purchase including but not limited to the types and/or specifications of the Products, quantity, purchase prices, payment terms, date and mode of delivery and other relevant terms in relation to that purchase. The terms of such purchase orders shall be consistent with the terms under the New Master Supply Agreement and shall comply with the principles of the New Master Supply Agreement.

LETTER FROM THE BOARD

The selling price of each and every sale shall be separately determined on order-by-order basis by the parties to the New Master Supply Agreement according to the following principles: (i) the selling price shall be determined on normal commercial terms which shall be fair and reasonable after arm's length negotiation between the parties to the New Master Supply Agreement and shall be in accordance with normal commercial terms and fair and reasonable; (ii) the selling price shall be at prevailing market price; and (iii) the selling price shall be the same as the prices offered by the Group to its other independent customers or payable by the Precious Dragon Group to its other independent suppliers.

The selling prices of the Products are generally determined on a "cost-plus" basis. To ensure the Group's future selling prices are fair and reasonable and in accordance with the principles set out above, the Group shall, when determines the final selling price, make reference to (i) the expected raw material costs and production costs to be incurred by the Group in producing the Products; (ii) the expected gross profit margins of the Products which generally range from 21% to 60%. Such gross profit margins are subject to standardised adjustments stated in (iii) below and are expected to be comparable to the gross profit margins that can be realised by sales to its other independent customers; and (iii) any adjustments (the "**Standardised Adjustments**") based on expected quantity, quality, delivery plan, specification and market competition condition of the Products purchased by the Precious Dragon Group.

Based on the abovementioned factors (i) and (ii) (i.e. costs and gross profit margins), the finance department of the Company would, from time to time, prepare and update a pricing list (the "**Pricing List**") which would set out the selling prices of all types of the Products before taking into account the Standardised Adjustments and how the Standardised Adjustments are applied to determine the final selling prices. Such pricing list would then be approved by the chairman of the Company from time to time.

All price quotations provided by the Group are based on the Pricing List and the Standardised Adjustments. These price quotations shall be counter-checked and approved by the finance department of the Company. Given that the Pricing List and the Standardised Adjustments would be consistently applied to the purchase orders received from both the Precious Dragon Group and other independent third party customers of the Group, the final selling prices offered to the Precious Dragon Group shall be the same as those of same products offered to other independent third party customers of the Group. As such, the Directors (including the independent non-executive Directors) consider that the selling prices offered to the Precious Dragon Group will not be less favourable to the Group than those available to independent third party customers. The Board shall review the pricing policy and the reasonableness and fairness of the Group's selling prices on regular basis.

3. Condition precedent

The New Master Supply Agreement is conditional upon the Independent Shareholders' approval having been obtained in accordance with the Listing Rules in respect of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

LETTER FROM THE BOARD

4. Renewal

Subject to the compliance with the requirements of the Listing Rules, the parties to the New Master Supply Agreement may negotiate for extension of the term of the New Master Supply Agreement upon expiry.

5. Termination

Unless otherwise specified in the New Master Supply Agreement, either party to the New Master Supply Agreement has a right to terminate the New Master Supply Agreement by giving the other party a 30-day prior written notice.

6. Historical transaction amounts

For the three years ended 31 December 2020 and the six months ended 30 June 2021, the Group's sale of the Products to Precious Dragon Group amounted to approximately HK\$27.2 million, HK\$13.6 million, HK\$36.3 million and HK\$11.4 million, respectively.

7. Annual Caps

The New Master Supply Agreement shall be subject to the following Annual Caps:

	Annual Caps <i>(HK\$'000)</i>
For the year ending 31 December 2022	39,000
For the year ending 31 December 2023	41,000
For the year ending 31 December 2024	43,000

The computation of the Annual Caps is set out below:

	For the year ending 31 December		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expected demand based on organic growth (A)	31,427	32,998	34,648
Additional demand arising from the United States and the Southeast Asia (B)	4,500	4,500	4,500
Buffer (C)	10%	10%	10%
Estimated transaction amount (A + B) x (1 + C)	39,520	41,248	43,063
The Annual Caps	39,000	41,000	43,000

LETTER FROM THE BOARD

In respect of the expected demand based on organic growth

The expected demand from the Precious Dragon Group based on organic growth of approximately HK\$31.4 million, HK\$33.0 million and HK\$34.6 million for the three years ending 31 December 2024, respectively, are determined with reference to (i) the actual transaction amount of approximately HK\$36.3 million for the year ended 31 December 2020 (the “**2020 Sales**”); (ii) the actual transaction amount of approximately HK\$21.6 million for the eleven months ended 30 November 2021, which translates into an annualised amount of approximately HK\$23.6 million (the “**2021 Annualised Sales**”); and (iii) an annual growth of 5% from the average of the 2020 Sales and the 2021 Annualised Sales in the amount of approximately HK\$30.0 million, as a result of the organic growth of the personal care product market.

According to a report published by Technavio in September 2021, the personal care market has the potential to grow by US\$148.89 billion during 2021-2025, and the market’s growth momentum will accelerate at a CAGR of 5.68%. Technavio is one of the leading market research companies with over 500 analysts around the world. It has published more than 17,000 reports and its reports are often quoted by various well-known media including BBC, Reuters and Bloomberg.

In respect of the additional demand arising from the United States and the Southeast Asia

The Precious Dragon Group’s sales of personal care products in the United States have been significantly affected since the Sino-US trade war escalated in 2019. The Precious Dragon Group’s purchase of the Products for sales to the United States decreased from approximately RMB13.7 million for the year ended 31 December 2018 to approximately RMB8.9 million for the year ended 31 December 2020, representing a decrease of approximately RMB4.8 million (equivalent to approximately HK\$5.7 million) (the “**Impact of Trade War**”).

The Precious Dragon Group considers that there is a potential growth in sales generated from the United States and the Southeast Asia following commencement of the operation of the new production plant in Thailand which is expected to be operated in the first quarter of 2022, as the new overseas manufacturing plant allows the Precious Dragon Group to (i) ease the impact resulting from the Sino-US trade war and other international trade barriers and benefit from the lower cost of raw materials from the surrounding area, enhancing the competitiveness of the Precious Dragon Group’s products in Asia; and (ii) expand the local market in the Southeast Asia. Such growth potential will in turn increase the Precious Dragon Group’s demand for the Products.

The additional demand arising from the United States and the Southeast Asia was estimated to be HK\$4.5 million for each of the three years ending 31 December 2024, which the Directors consider prudent after taking into account the Impact of Trade War.

In respect of the Annual Caps

Based on the above and a buffer of 10%, the Annual Caps are estimated to be HK\$39.0 million, HK\$41.0 million and HK\$43.0 million for the three years ending 31 December 2024. The Directors consider a buffer of 10% appropriate as the Group would have flexibility to cope with different conditions including unexpected business growth, fluctuation in aluminum price and exchange rate fluctuation.

LETTER FROM THE BOARD

Although the Annual Caps represent a significant growth over the historical transaction amounts for the year ended 31 December 2018 and 2019, respectively, the Directors consider the Annual Caps to be fair and reasonable after considering that (i) the COVID-19 pandemic since early 2020 has given rise to growing consumer preference on health and wellness as well as rising awareness about health and hygiene which has increased and is expected to increase the market demand for the Precious Dragon Group's personal care products (including sanitizer products) and therefore the Precious Dragon Group's demand for the Products; (ii) the Annual Caps are determined based on the 2020 Sales and the 2021 Annualised Sales which have fully reflected the impact of COVID-19; and (iii) a certain buffer has been accounted for in the Annual Caps for any unexpected demand from the Precious Dragon Group for the Products.

8. Internal control

The Company has an internal control system in place to ensure (i) the terms of the transactions contemplated under the New Master Supply Agreement (including the pricing term) are on normal commercial terms which are fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (ii) the actual transaction amounts will not exceed the Annual Caps. Relevant internal control measures include:

- (i) The sales department of the Company shall communicate with the Precious Dragon Group to obtain the information of the types and/or specifications of the Products, quantity, date and mode of delivery for a purchase order;
- (ii) The finance department of the Company will provide the latest Pricing List for the sales department of the Company to provide a fee quotation to the Precious Dragon Group ;
- (iii) the finance manager of the Group is responsible for (a) collecting each signed purchase order under the New Master Supply Agreement which contains, among other things, the types and/or specifications of the Products, quantity, purchase prices, payment terms, date and mode of delivery; (b) reporting the actual transaction amounts to the chief financial officer of the Group on a monthly basis; and (c) reporting to the chief financial officer of the Group when the utilisation rate of the Annual Caps exceeds 90%;
- (iv) the finance manager of the Group shall assist in monitoring the major terms specified in individual purchase orders. If there is any change to the major terms of individual purchase orders, he shall report to the chief financial officer of the Group; and
- (v) the independent non-executive Directors will annually review the transactions contemplated under the New Master Supply Agreement to ensure that they have been entered into on normal commercial terms which are fair and reasonable, and have been conducted in accordance with the New Master Supply Agreement. The auditors of the Company will also conduct an annual review on the transactions contemplated under the New Master Supply Agreement to ensure that they have been carried out in accordance with the pricing policies of the Group and the New Master Supply Agreement and have not exceeded the Annual Caps.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW MASTER SUPPLY AGREEMENT

The Group is principally engaged in the manufacture and sale of monobloc aluminum aerosol cans and the Group has established a relatively long business relationship with the Precious Dragon Group. As such, the Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) are of the view that the entering into the New Master Supply Agreement enables the Group to retain such a long business relationship. The sale of the Products to the Precious Dragon Group from time to time provides the Group with a relatively stable source of income.

The Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) are of the view that the terms of the New Master Supply Agreement and the transactions contemplated thereunder (including Annual Caps) are fair and reasonable, conducted in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PRECIOUS DRAGON GROUP

Information of the Group

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 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.

Information of the Precious Dragon Group

The Precious Dragon Group is principally engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products, and also personal care products and other products including household products.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Lin, the controlling Shareholder, was beneficially interested in 660,546,000 Shares of the Company, representing approximately 73.25% of the issued share capital of the Company, and was therefore a connected person of the Company. On the other hand, Mr. Lin was beneficially interested in 174,788,500 shares of Precious Dragon, representing approximately 74.72% of the issued share capital of the Precious Dragon as at the Latest Practicable Date. Precious Dragon is an associate of Mr. Lin and therefore a connected person of the Company. Accordingly, the entering into of the New Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules for the Annual Caps exceeds 5%, the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as Mr. Lin, no Director is required to abstain from voting on the board resolution in relation to the approval of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

GENERAL

As Mr. Lin has a material interest in the New Master Supply Agreement and the transactions contemplated thereunder, Mr. Lin and his associates are therefore required under the Listing Rules to abstain from voting on the relevant resolution at the EGM in respect of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Yip Wai Man Raymond, has been established by the Company to advise the Independent Shareholders on the terms of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps). VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be held at Room Diamond, Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong on Friday, 28 January 2022 at 2:00 p.m. to consider and, if thought fit, approve the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM or any adjournment thereof, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to 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, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular which contains its recommendation to the Independent Shareholders in relation to the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

LETTER FROM THE BOARD

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 14 to 27 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) and the principal factors and reasons taken into account in arriving at its recommendation.

The Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) consider that the transactions contemplated under the New Master Supply Agreement (including the Annual Caps) are conducted in the ordinary and usual course of business of the Group and the terms are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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 New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps):

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)

10 January 2022

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 10 January 2022 (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 New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps). VBG 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 14 to 27 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 New Master Supply Agreement 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 New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the New Master Supply Agreement 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 EGM to approve the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
the Independent Board Committee

Dr. Lin Tat Pang

Ms. Guo Yang

Mr. Yip Wai Man Raymond

Independent non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) for the purpose of inclusion in this circular.



18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

10 January 2022

*To: The Independent Board Committee and the Independent Shareholders
of China Aluminum Cans Holdings Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

NEW MASTER SUPPLY AGREEMENT

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the New Master Supply Agreement (including the Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 10 January 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the Letter from the Board, on 17 April 2019 (after trading hours), Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the Master Supply Agreement in relation to the sale of the Products by the Group to the Precious Dragon Group, which was subsequently amended and supplemented by the Supplemental Agreement.

The Master Supply Agreement expired on 31 December 2021. As the Group will continue to sell the Products to the Precious Dragon Group after 31 December 2021 during its ordinary and usual course of business, on 8 December 2021, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the New Master Supply Agreement in relation to the sale of the Products by the Group to the Precious Dragon Group for a term of three years from 1 January 2022 to 31 December 2024 (both days inclusive).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Lin, the controlling shareholder of the Company, held 660,546,000 Shares, representing approximately 73.25% of the issued share capital of the Company. On the other hand, Mr. Lin was beneficially interested in 174,788,500 shares of Precious Dragon, representing approximately 74.72% of the issued share capital of the Precious Dragon as at the Latest Practicable Date. Precious Dragon is an associate of Mr. Lin and therefore a connected person of the Company. Accordingly, the entering into of the New Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules for the Annual Caps exceeds 5%, the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lin has a material interest in the New Master Supply Agreement and the transactions contemplated thereunder, Mr. Lin and his associates will abstain from voting on the relevant resolution to be proposed at the EGM to approve the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps). Mr. Lin and his associates have also abstained from voting on the relevant Board resolution(s) approving the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

Save and except for the aforesaid, none of the Directors has any material interests in the New Master Supply Agreement, and is required to abstain from voting on the Board resolution to approve, confirm and ratify the same.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Yip Wai Man Raymond, has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the transactions contemplated under the New Master Supply Agreement and the Annual Caps. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the entering into of the New Master Supply Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the New Master Supply Agreement (including the Annual Caps) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote on the relevant resolution at the EGM.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

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

BASIS OF OUR OPINION

In formulating our opinion with regard to the New Master Supply Agreement and the transactions contemplated thereunder, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have 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 Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. 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 reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report 2020**”); (ii) the interim report of the Company for the six months ended 30 June 2021 (the “**Interim Report 2021**”); (iii) the estimated demand from Precious Dragon Group for the Group’s Products for the year ending 31 December 2022; (iv) sample purchase orders and relevant invoices for sale of Products from the Group to Precious Dragon Group and to independent third parties; (v) internet desktop researches in relation to the hygiene, beauty and personal care industry in the PRC, United States and Southeast Asia; and (vi) the internal control measures governing connected transactions which are made available to us and enable us to reach an informed view and justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the proposed Annual Caps for the continuing connected transactions contemplated under the New Master Supply Agreement, as referred to in Rule 13.80 of the Hong Kong Listing Rules (including the notes thereto).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the parent group or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of entering the New Master Supply Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Shareholders should note that as the annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenues or costs to be recorded from the New Master Supply Agreement. Consequently, we express no opinion as to how closely the actual revenue and cost to be recorded under the New Master Supply Agreement will correspond with the respective annual caps.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the transactions contemplated under the New Master Supply Agreement (including the Annual Caps), we have taken into consideration the following principal factors and reasons:

Information on the parties

Information of the Company

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 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Historical Figures

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2020 and the unaudited consolidated financial information of the Group for six months ended 30 June 2020 and 2021, as extracted from the Annual Report 2020 and Interim Report 2021 respectively:

	For the year ended 31 December		For the six months ended 30 June	
	2019 <i>(audited)</i> HK\$'000	2020 <i>(audited)</i> HK\$'000	2020 <i>(unaudited)</i> HK\$'000	2021 <i>(unaudited)</i> HK\$'000
Revenue	205,962	183,924	98,573	106,587
Profit attributable to the owners of the parent company	39,182	21,669	13,988	12,712

With reference to the Annual Report 2020, the revenue of the Group decreased by approximately 10.7% from HK\$206.0 million for the year ended 31 December 2019 to HK\$183.9 million for the year ended 31 December 2020. The decrease in revenue of approximately HK\$22 million was mainly due to the PRC economy is shrouded in the shadow of the outbreak of pneumonia caused by COVID-19, there are huge uncertainties and changes in the PRC economic development, which significantly affected the demands in consuming products.

The Group recorded a decrease in profit attributable to the owners of the parent company of approximately 44.6% from HK\$39.2 million for the year ended 31 December 2019 to HK\$21.7 million for the year ended 31 December 2020. The decrease in profit attributable to the owners of the parent company was mainly due to the 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.

With reference to the Interim Report 2021, the revenue of the Group increased by approximately 8.1% from HK\$98.6 million for the six months ended 30 June 2020 to HK\$106.6 million for the six months ended 30 June 2021. The increase in revenue was mainly due to (i) steady recovery of the market of fast-moving consumption products in the PRC, and (ii) a short term locked-down in PRC was imposed in the first half of 2020.

The Group recorded a decrease in profit attributable to the owners of the parent company of approximately 10.04% from HK\$14.0 million for the six months ended 30 June 2020 to HK\$12.7 million for the six months ended 30 June 2021. The decrease in profit attributable to the owners of the parent company was mainly due to net effects of (i) the increase in sales and production scales; (ii) the increase in other income and gains; and (iii) the increase in raw material prices, especially, aluminum ingots.

Information of Precious Dragon Group

The Precious Dragon Group is principally engaged in the design, development, manufacture and sale of a wide range of automotive beauty and maintenance products, and also personal care products and other products including household products.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Reasons for and benefits of the New Master Supply Agreement

The Group is principally engaged in the manufacture and sale of monobloc aluminum aerosol cans and the Group has established a relatively long business relationship with the Precious Dragon Group. As such, the Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) are of the view that entering into the New Master Supply Agreement enables the Group to retain such a long business relationship. The sale of the Products to the Precious Dragon Group from time to time provides the Group with a relatively stable source of income.

As set out in the Annual Report 2020, among the shadow of political issues such as trade protectionism and the outbreak of pneumonia caused by novel coronavirus (“COVID-19”), the Group has continued to face severe world-wide competition in the aluminum aerosol cans market, especially from the increase in competition from small-sized aerosol can manufacturers in China. We note that the entering into of the New Master Supply Agreement would strengthen the Group’s ability to cope with such competitive market environment and would have the added benefit of securing the Group a stable source of income from a leading Chinese manufacturer of aerosol products used in the Chinese automotive beauty and maintenance industries.

Having considered in particular that:

- (i) the principal business and business prospects of the Group;
- (ii) the leading industry position of the Precious Dragon Group;
- (iii) the long business relationship between the Group and the Precious Dragon Group; and
- (iv) the reasons for and benefits of the New Master Supply Agreement as mentioned above,

we concur with the Directors’ views that the entering into of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are conducted in the ordinary and usual course of business of the Group.

Principal Terms of the New Master Supply Agreement

A summary of the principal terms of the Master Supply Agreement is set out below:

Date:	8 December 2021 (after trading hours)
Parties:	(i) Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries) (ii) Precious Dragon (for itself and on behalf of its subsidiaries)
Term:	From the 1 January 2022 to 31 December 2024 (both days inclusive)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Subject matter:

Subject to the terms and conditions of each relevant purchase order, the Group agreed to sell the Products to the Precious Dragon Group, and the Precious Dragon Group agreed to purchase the Products from the Group during the term of the New Master Supply Agreement.

Pricing basis:

Pursuant to the New Master Supply Agreement, the Group and the Precious Dragon Group agreed to enter into separate purchase orders in respect of each purchase of the Products to specify the details of each purchase including but not limited to the types and/or specifications of the Products, quantity, purchase prices, payment terms, date and mode of delivery and other relevant terms in relation to that purchase. The terms of such purchase orders shall be consistent with the terms under the New Master Supply Agreement and shall comply with the principles of the New Master Supply Agreement.

The selling price of each and every sale shall be separately determined on order-by-order basis by the parties to the New Master Supply Agreement according to the following principles: (i) the selling price shall be determined on normal commercial terms which shall be fair and reasonable after arm's length negotiation between the parties to the New Master Supply Agreement and shall be in accordance with normal commercial terms and fair and reasonable; (ii) the selling price shall be at prevailing market price; and (iii) the selling price shall be the same as the prices offered by the Group to its other independent customers or payable by the Precious Dragon Group to its other independent suppliers.

The selling prices of the Products are generally determined on a "cost-plus" basis. To ensure the Group's future selling prices are fair and reasonable and in accordance with the principles set out above, the Group shall, when determines the final selling price, make reference to (i) the expected raw material costs and production costs to be incurred by the Group in producing the Products; (ii) the expected gross profit margins of the Products which generally range from 21% to 60%. Such gross profit margins are subject to standardised adjustments stated in (iii) below and are expected to be comparable to the gross profit margins that can be realised by sales to its other independent customers; and (iii) any adjustments (the "**Standardised Adjustments**") based on expected quantity, quality, delivery plan, specification and market competition condition of the Products purchased by the Precious Dragon Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Based on the abovementioned factors (i) and (ii) (i.e. costs and gross profit margins), the finance department of the Company would, from time to time, prepare and update a pricing list (the “**Pricing List**”) which would set out the selling prices of all types of the Products before taking into account the Standardised Adjustments and how the Standardised Adjustments are applied to determine the final selling prices. Such pricing list would then be approved by the chairman of the Company from time to time.

All price quotations provided by the Group are based on the Pricing List and the Standardised Adjustments. These price quotations shall be counter-checked and approved by the finance department of the Company. Given that the Pricing List and the Standardised Adjustments would be consistently applied to the purchase orders received from both the Precious Dragon Group and other independent third party customers of the Group, the final selling prices offered to the Precious Dragon Group shall be the same as those of same products offered to other independent third party customers of the Group. As such, the Directors (including the independent non-executive Directors) consider that the selling prices offered to the Precious Dragon Group will not be less favourable to the Group than those available to independent third party customers. The Board shall review the pricing policy and the reasonableness and fairness of the Group’s selling prices on regular basis.

Conditions precedent:

The New Master Supply Agreement is conditional upon the Independent Shareholders’ approval having been obtained in accordance with the Listing Rules in respect of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

Renewal:

Subject to the compliance with the requirements of the Listing Rules, the parties to the New Master Supply Agreement may negotiate for extension of the term of the New Master Supply Agreement upon expiry.

Termination:

Unless otherwise specified in the New Master Supply Agreement, either party to the New Master Supply Agreement has a right to terminate the New Master Supply Agreement by giving the other party a 30-day prior written notice.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Internal control procedures

For our due diligence purpose, we have obtained and reviewed the internal control measures governing the continuing connected transactions of the Group. We noted that to ensure the Company's conformity with the above pricing policy in relation to the transactions contemplated under the New Master Supply Agreement, the Company has an internal control system in place to ensure (i) the terms of the transactions contemplated under the New Master Supply Agreement (including the pricing term) are on normal commercial terms which are fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (ii) the actual transaction amounts will not exceed the Annual Caps. Relevant internal control measures include:

- (i) the sales department of the Company shall communicate with the Precious Dragon Group to obtain the information of the types and/or specifications of the Products, quantity, date and mode of delivery for a purchase order;
- (ii) the finance department of the Company will provide the latest Pricing List for the sales department of the Company to provide a fee quotation to the Precious Dragon Group;
- (iii) the finance manager of the Group is responsible for (a) collecting each signed purchase order under the New Master Supply Agreement which contains, among other things, the types and/or specifications of the Products, quantity, purchase prices, payment terms, date and mode of delivery; (b) reporting the actual transaction amounts to the chief financial officer of the Group on a monthly basis; and (c) reporting to the chief financial officer of the Group when the utilisation rate of the Annual Caps exceeds 90%;
- (iv) the finance manager of the Group shall assist in monitoring the major terms specified in individual purchase orders. If there is any change to the major terms of individual purchase orders, the finance manager shall report to the chief financial officer of the Group; and
- (v) the independent non-executive Directors will annually review the transactions contemplated under the New Master Supply Agreement to ensure that they have been entered into on normal commercial terms which are fair and reasonable, and have been conducted in accordance with the New Master Supply Agreement. The auditors of the Company will also conduct an annual review on the transactions contemplated under the New Master Supply Agreement to ensure that they have been carried out in accordance with the pricing policies of the Group and the New Master Supply Agreement and have not exceeded the Annual Caps.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We understand that the Group has implemented internal approval procedures through an internal approval system. The sales department of the Company will first communicate with the potential customers to obtain the information of the types and/or specifications of the Products, quantity, date and mode of delivery for a potential purchase order. The finance department of the Company will provide the latest Pricing List for the sales department of the Company to provide a fee quotation to the potential customers. The finance manager of the Group will collect each signed purchase order under the New Master Supply Agreement, report the actual transaction amounts to the chief financial officer of the Group on a monthly basis, especially when the utilization rate of the Annual Caps exceeds 90%. Also, the finance manager of the Group will assist in monitoring the major terms specified in individual purchase orders and will report to the chief financial officer of the Group if there is any change to the major terms of individual purchase orders. Having regard to the abovementioned procedures, we note that different department, management and the independent non-executive Directors of the Group will participate in the review and approval of the individual purchase orders under the New Master Supply Agreement to ensure (i) the prices of purchase orders subject as continuing connected transactions are on normal commercial terms and fair and reasonable; (ii) the proposed Annual Caps will not be exceeded; and (iii) the terms of such purchase orders shall be consistent with the principles of the New Master Supply Agreement.

We have also obtained and reviewed five sample sale contracts and corresponding invoices for sale of the Company's products to both (i) independent third parties; and (ii) Precious Dragon Group, for the nine months ended 30 September 2021 selected on a random basis from the sales listings for the corresponding period. Provided that the samples selected cover the general specifications of Products sold by the Company to both independent third parties and Precious Dragon Group during the period under the original Master Supply Agreement, we consider the samples selected are representative and provide meaningful basis for comparison analysis on the pricing of the transactions. From the sample transaction documents, we noted that there was no material difference in terms in relation to (i) unit price; (ii) payment terms; and (iii) delivery method offered to the independent third parties compared to those offered to Precious Dragon Group. Therefore, we consider that the pricing and payment terms offered to Precious Dragon Group were no less favourable than those charged to independent third parties, and in line with the original Master Supply Agreement.

Based on the above, considering that the internal control measures applied to the original Master Supply Agreement consist no material difference to those applied to the New Master Supply Agreement, we concur with the Directors' views that the internal control measures will ensure the continuing connected transactions are in accordance with the terms of the New Master Supply Agreement, the Annual Caps are not to be exceeded, and the transactions to be conducted on normal commercial terms, are fair and reasonable as far as the Independent Shareholders are concerned.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below are (i) the historical transaction amount with the sale of the Products to the Precious Dragon Group for the three years ended 31 December 2020 and the six months ended 30 June 2021 under the original Master Supply Agreement and (ii) the Annual Caps for the three years ending 31 December 2024 under the New Master Supply Agreement:

	Historical Transaction Amount (HK\$'000)
For the year ended 31 December 2018	27,200
For the year ended 31 December 2019	13,600
For the year ended 31 December 2020	36,300
For the six months ended 30 June 2021	11,400

	Annual Caps (HK\$'000)
For the year ending 31 December 2022	39,000
For the year ending 31 December 2023	41,000
For the year ending 31 December 2024	43,000

With reference to the Letter from the Board, the expected demand from the Precious Dragon Group based on organic growth of approximately HK\$31.4 million, HK\$33.0 million and HK\$34.6 million for the three years ending 31 December 2024, respectively, are determined with reference to (i) the actual transaction amount of approximately HK\$36.3 million for the year ended 31 December 2020 (the “**2020 Sales**”); (ii) the actual transaction amount of approximately HK\$21.6 million for the eleven months ended 30 November 2021, which translates into an annualised amount of approximately HK\$23.6 million (the “**2021 Annualised Sales**”); and (iii) an annual growth of 5% from the average of the 2020 Sales and the 2021 Annualised Sales in the amount of approximately HK\$30.0 million, as a result of the organic growth of the personal care product market.

The Precious Dragon Group also considers that there is a potential growth in sales generated from the United States and the Southeast Asia following commencement of the operation of the new production plant in Thailand which is expected to be operated in the first quarter of 2022, as the new overseas manufacturing plant allows the Precious Dragon Group to (i) ease the impact resulting from the Sino-US trade war and other international trade barriers and benefit from the lower cost of raw materials from the surrounding area, enhancing the competitiveness of the Precious Dragon Group’s products in Asia; and (ii) expand the local market in the Southeast Asia. Such growth potential will in turn increase the Precious Dragon Group’s demand for the Products. The additional demand arising from the United States and the Southeast Asia was estimated to be HK\$4.5 million for each of the three years ending 31 December 2024, which the Directors consider prudent after taking into account the Impact of Trade War.

Based on the above and a buffer of 10%, the Annual Caps are estimated to be HK\$39.0 million, HK\$41.0 million and HK\$43.0 million for the three years ending 31 December 2024. The Directors consider a buffer of 10% appropriate as the Group would have flexibility to cope with different conditions including unexpected business growth, fluctuation in aluminum price and exchange rate fluctuation.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In order to assess the reasonableness of the Annual Caps, we have obtained and reviewed the Company's sales forecast to Precious Dragon Group for the three years ending 31 December 2024. As discussed with the Directors, we understood that the assumptions in estimating the Annual Caps was based on (i) the historical transaction amount between the Company and Precious Dragon Group; (ii) the estimated customers' demand from the sales network of Precious Dragon Group in the PRC; and (iii) the growth in customers' demand in the United States and Southeast Asia following the commencement of Precious Dragon Group's new production plant.

With reference to the Company's sales forecast for the three years ending 31 December 2024, we noted that the estimated sales amount to Precious Dragon Group consist of both demand within the domestic market of the PRC and the demand in catering to the overseas market. Based on our review of the historical transaction amount between the Company and Precious Dragon Group for the year ended 31 December 2020 and the eleven months ended 30 November 2021, we understood that the estimated demand of Precious Dragon Group in catering solely the PRC market is estimated to be approximately HK\$15.2 million, HK\$15.9 million and HK\$16.7 million for the three years ending 31 December 2024 respectively.

As discussed with the Directors, the new overseas manufacturing plant of Precious Dragon Group in Thailand enables Precious Dragon Group to bypass previous impacts sustained since 2018 as a result of the Sino-US trade war and other international trade barriers, and moving forward would allow Precious Dragon Group to reengage with potential customers in the United States as well as expanding its sales network to the Southeast Asia market. Based on our review of historical transaction amount between the Company and Precious Dragon Group in the catering of customers outside the PRC market for the year ended 31 December 2020 and the eleven months ended 30 November 2021, we understood that the demand of Precious Dragon Group following its new operation covering a larger overseas market is estimated to be approximately HK\$20.8 million, HK\$21.6 million and HK\$22.4 million for the three years ending 31 December 2024 respectively. Therefore, we understood the estimated demand of Precious Dragon Group in total is estimated to be approximately HK\$35.9 million, HK\$37.5 million and HK\$39.1 million for the three years ending 31 December 2024 respectively.

Besides that, we also understood that a buffer of approximately 10% is reserved under the proposed revised annual caps for unexpected increase in the sales amount. Having considered that (i) the buffer may also be subject to unexpected fluctuation of exchange rate between Chinese Yuan and Hong Kong Dollar; and (ii) a difference of approximately 13.6% was recorded between the lowest and highest exchange rate between Chinese Yuan and Hong Kong Dollar from 1 January 2020 to the Latest Practicable Date, we are of the view that the buffer reserved of approximately 10% is fair and reasonable. We understood from the Directors that the proposed annual caps under the New Master Supply Agreement for the three years ending 31 December 2022 was based on the aforementioned changes above.

Following our desktop research on the beauty and personal care market, we noted that the outbreak of COVID-19 caused people to be more concerned about the maintenance of good hygiene ensures safety from various infections and hygiene-related ailments. With reference to the research titled "China Hand Sanitizer Market Report 2021-2026" published on 07 September 2021 by Business Wire, a global leading source for news organisations, hand sanitizers are increasingly being adopted

LETTER FROM INDEPENDENT FINANCIAL ADVISER

as an instant alternative to soap and water for reducing the chances of hand contamination. An increasing consciousness towards hygiene coupled with the COVID-19 pandemic has augmented the demand for hand sanitizers in China. Since the China hand sanitizer market grew robustly during 2015-2020; looking forward, the market is set to grow at a CAGR of 13.8% during 2021-2026.

Besides that, the cosmetics market holds a lucrative growth opportunity for the future as the demand for beauty and skincare products is rising significantly in China. With further reference to an article titled “China \$87.64 Billion Cosmetics Market Insights & Forecast to 2025 with Potential Impacts of COVID-19” published on 09 April 2021 by GlobeNewswire, one of the world’s largest newswire distribution networks specializing in corporate finance press, the Chinese cosmetics market is expected to record a value of US\$87.64 billion in 2025, increasing at a CAGR of 6%, for the duration spanning 2021-2025. With reference to an article titled “‘Perfect’ look for Asian market” published on 28 June 2021 by China Daily, a major online Chinese newspaper, Southeast Asia is considered a hotspot for the global cosmetics industry. With the support of local e-commerce platforms, the beauty and cosmetics industry has been growing at an unprecedented speed. The sales revenue of the beauty and personal care market of Southeast Asia is expected to reach 304.8 billion Chinese Yuan (US\$47.1 billion) in 2025, with a compound annual growth rate of 9.3%, which will rival that of the Chinese market.

Having considered that (i) the Annual Caps was determined with reference to the historical transaction amount between the Company and Precious Dragon Group; (ii) the increase in estimated demand for the Group’s products from Precious Dragon Group as a result of the rising awareness of health and hygiene since the commencement of COVID-19; (iii) the increase in estimated demand is in line with the growth in hygiene, beauty and personal care industry in the PRC, United States and Southeast Asia following the commencement of Precious Dragon Group’s new production plant; (iv) the Annual Caps under the New Master Supply Agreement will allow the Group to sell the Products to Precious Dragon Group based on its estimated demand for the three years ending 31 December 2024; and (v) the transactions contemplated under the New Master Supply Agreement are in the ordinary and usual course of business of the Group, we are of the view that the Annual Caps under the New Master Supply Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we considered that:

- (i) the entering into of the New Master Supply Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and
- (ii) the terms of the New Master Supply Agreement (including the Annual Caps) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the New Master Supply Agreement (including the Annual Caps).

Yours faithfully,
For and on behalf of
VBG Capital Limited
Hui Ringo Wing Kun
Group General Manager

Mr. Hui Ringo Wing Kun is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 13 years of experience in corporate finance.

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 Company. 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 aspects and not misleading or deceptive, and there is no other matter 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, 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 have been 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 taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules are as follows:

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 Directors	Number of Shares			Interests in underlying Shares	Total	Approximate percentage of the issued Shares
	Beneficial owner	Interest of family	Interests in a controlled corporation	Share options (Note 1)		
Mr. Lin Wan Tsang (“ 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.

Long positions in the underlying Shares of the convertible notes of the Company:

Name of the holder of the convertible notes	Principal amount of the convertible notes	Number of the total underlying Shares	Approximate percentage of the issued Shares <i>(Note 1)</i>
Mr. Lin <i>(Note 2)</i>	271,825,440	494,228,072	54.81%

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) These convertible notes were issued by the Company on 8 July 2015 as part of the consideration to the acquisition of Topspan Holdings Limited and its subsidiaries on 20 May 2015. They are unlisted, interest-free and convertible into the Shares at the conversion price of HK\$0.55 per Share. 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 <i>(Note 1)</i>
Wellmass <i>(Note 2)</i>	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 registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

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 INTERESTS

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 2020, 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 2020, 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. CONSENT AND QUALIFICATION OF THE EXPERT

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

Name	Qualification
VBG Capital	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO

As at the Latest Practicable Date, VBG Capital had (i) no shareholding in any member of the Group and did not have any 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) had no direct or indirect interest in any assets which had been, since 31 December 2020 (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.

VBG 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 the reference to its name included herein in the form and context in which it appears.

8. GENERAL

- (i) The registered office of the Company is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
- (ii) The head office and principal place of business in Hong Kong of the Company 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 Ocorian 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 ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.6898hk.com/>) for a period of 14 days from the date of this circular:

- (a) the New Master Supply Agreement;
- (b) the letter of recommendation from the Independent Board Committee in relation to the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps), the text of which is set out on page 13 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps), the text of which is set out on pages 14 to 27 of this circular;
- (d) written consent of VBG Capital as mentioned in the paragraph 7 in this Appendix; and
- (e) this circular

NOTICE OF THE EGM

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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China Aluminum Cans Holdings Limited (the “Company”) will be held at Room Diamond, Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong on Friday, 28 January 2022 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the New Master Supply Agreement (as defined and described in the circular to the shareholders of the Company dated 10 January 2022 (the “Circular”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the annual caps of the transactions contemplated under the New Master Supply Agreement as described in the Circular be and are hereby approved, ratified and confirmed; and
- (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the New Master Supply Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the New Master Supply Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

By order of the Board of
China Aluminum Cans Holdings Limited
Lin Wan Tsang
Chairman and executive director

Hong Kong, 10 January 2022

NOTICE OF THE EGM

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person at his/her/its proxy to attend and vote in his/her/its stead in accordance with the articles of association of the Company. A proxy needs not be a member of the Company.
2. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, 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 the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. The register of members of the Company will be closed from Tuesday, 25 January 2022 to Friday, 28 January 2022, both days inclusive, during which period no transfers of shares shall be registered. The holder of shares whose name appears on the register of members of the Company on Friday, 28 January 2022 will be entitled to attend and vote at the EGM. In order to qualify for attending and voting at the forthcoming EGM, all transfers of shares, accompanied by the relevant share certificates and transfer forms, 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 4:30 p.m. on Monday, 24 January 2022.

As at the date of this notice, the executive directors are Mr. Lin Wan Tsang, 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.