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 2016

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 2016, together with the comparative figures for the six months ended 30 June 2015. These results have been reviewed by Ernst & Young, the external auditors of the Group, and the Company's audit committee (the "Audit Committee").

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

Six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016	2015
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**348,739**	357,777
Cost of sales		**(224,538)**	(257,173)
Gross profit		**124,201**	100,604
Other income and gains, net	*4*	**8,901**	11,557
Selling and distribution expenses		**(23,063)**	(24,068)
Administrative expenses		**(22,452)**	(22,632)
Research and development expenses		**(13,645)**	(14,468)
Other expenses		**(980)**	(2,430)
Finance costs	*5*	**(1,711)**	(3,198)
PROFIT BEFORE TAX	*6*	**71,251**	45,365
Income tax expense	*7*	**(14,845)**	(9,704)
PROFIT FOR THE PERIOD		**56,406**	35,661
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(10,855)**	705
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**45,551**	36,366
Profit attributable to:			
Owners of the parent		**56,094**	35,450
Non-controlling interests		**312**	211
		56,406	35,661
Total comprehensive income attributable to:			
Owners of the parent		**45,239**	36,155
Non-controlling interests		**312**	211
		45,551	36,366
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**HK9.0 cents**	HK8.4 cents
Diluted		**HK7.4 cents**	HK8.3 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**334,876**	295,907
Prepaid land lease payments		**67,083**	69,494
Deferred tax assets		**1,306**	1,409
Non-current prepayments		**10,507**	21,242
Total non-current assets		**413,772**	388,052
CURRENT ASSETS			
Inventories		**70,556**	65,313
Trade and bills receivables	*11*	**79,855**	69,416
Prepayments, deposits and other receivables		**11,374**	13,425
Due from related parties		**5,759**	2,556
Pledged bank deposits		**8,946**	8,447
Cash and cash equivalents		**137,651**	179,551
Total current assets		**314,141**	338,708
CURRENT LIABILITIES			
Trade and bills payables	*13*	**70,023**	62,808
Other payables and accruals	*14*	**54,997**	53,974
Interest-bearing bank borrowings	*15*	**38,917**	41,282
Derivative financial instruments	*12*	**556**	424
Tax payable		**8,263**	5,981
Due to related parties		**385**	3,600
Deferred income		**282**	304
Total current liabilities		**173,423**	168,373
NET CURRENT ASSETS		**140,718**	170,335
TOTAL ASSETS LESS CURRENT LIABILITIES		**554,490**	558,387

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	**30 June 2016** **HK$'000** **(Unaudited)**	31 December 2015 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*15*	**12,341**	19,802
Deferred tax liabilities		**1,030**	1,030
Deferred income		**2,697**	2,894
Total non-current liabilities		**16,068**	23,726
Net assets		**538,422**	534,661
EQUITY			
Equity attributable to owners of the Parent			
Share capital	*16*	**6,329**	6,241
Equity component of convertible notes		**636,360**	645,000
Treasury stock		**(28,831)**	–
Reserves		**(79,586)**	(120,509)
Non-controlling interests		**4,150**	3,929
Total equity		**538,422**	534,661

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 12 September 2012. The Company's registered office address is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2013.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries (the Company and its subsidiaries are collectively referred to as the "Group") comprise the manufacture and sale of aluminum aerosol cans, the content filling of aerosol cans, production and sale of aerosol and non-aerosol products. There has been no significant change in the Group's principal activities during the period.

In the opinion of the directors (the "Directors"), as at the date of this report, the immediate holding company and ultimate holding company of the Company is Wellmass International Limited (the "Wellmass"), a company incorporated in the British Virgin Islands ("BVI").

2. BASIS OF PREPARATION AND IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2. BASIS OF PREPARATION AND IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

2.2 Impact of new and revised international financial reporting standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the new or revised standards, interpretation and amendments as of 1 January 2016, noted below:

IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11 Joint Arrangements	Accounting for Acquisitions of Interests
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41 Agriculture	Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs
Amendments to IAS 1	Disclosure Initiative
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities	Applying the Consolidation Exception

The adoption of the above new or revised standards, interpretation and amendments has had no material financial effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

In addition, during the current period, the Group repurchased certain of its own shares and accordingly the accounting policy for treasury stock is adopted by the Group and described below.

Treasury Stock

Own equity instruments which are reacquired and held by the Company or the Group (treasury stock) are recognised directly in equity at cost. No gain or loss is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of aluminum aerosol cans mainly for packaging household chemical products and the content filling of aerosol cans, and production and sale of aerosol and non-aerosol products.

For management purpose, the Group is organized into business units based on their products and services.

3. **OPERATING SEGMENT INFORMATION (Continued)**

Period ended 30 June 2016	**Aluminum aerosol cans** *HK$'000*	**Aerosol and non-aerosol products** *HK$'000*	**Total** *HK$'000*
Segment revenue:			
Sales to customers	**120,823**	**227,916**	**348,739**
Intersegment sales	**24,737**	**3,242**	**27,979**
Total	**145,560**	**231,158**	**376,718**
Reconciliation:			
Elimination of intersegment sales			**(27,979)**
Revenue			**348,739**
Segment results	**26,822**	**45,654**	**72,476**
Reconciliation:			
Interest income			**133**
Corporate and other unallocated expenses			**353**
Finance costs			**(1,711)**
Profit before tax			**71,251**
Segment assets	**371,244**	**237,035**	**608,279**
Reconciliation:			
Elimination of intersegment receivables			**(29,629)**
Corporate and other unallocated assets			**149,263**
Total assets			**727,913**
Segment liabilities	**55,008**	**99,300**	**154,308**
Reconciliation:			
Elimination of intersegment payables			**(29,103)**
Corporate and other unallocated liabilities			**64,286**
Total liabilities			**189,491**
Other segment information:			
Depreciation and amortisation	**9,679**	**5,984**	**15,663**
Capital expenditure	**47,715**	**1,895**	**49,610**
Impairment losses recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income	**–**	**(470)**	**(470)**

3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 30 June 2015	Aluminum aerosol cans *HK$'000*	Aerosol and non-aerosol products *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to customers	114,597	243,180	357,777
Intersegment sales	27,912	4,672	32,584
Total	142,509	247,852	390,361
Reconciliation:			
Elimination of intersegment sales			(32,584)
Revenue			357,777
Segment results	37,697	74,128	111,825
Reconciliation:			
Interest income			336
Corporate and other unallocated expenses			(63,598)
Finance costs			(3,198)
Profit before tax			45,365

Year ended 31 December 2015	Aluminum aerosol cans *HK$'000*	Aerosol and non-aerosol products *HK$'000*	Total *HK$'000*
Segment assets	324,023	240,470	564,493
Reconciliation:			
Elimination of intersegment receivables			(28,179)
Corporate and other unallocated assets			190,446
Total assets			726,760
Segment liabilities	51,183	97,064	148,247
Reconciliation:			
Elimination of intersegment payables			(28,066)
Corporate and other unallocated liabilities			71,918
Total liabilities			192,099
Other segment information:			
Depreciation and amortisation	19,403	12,563	31,966
Capital expenditure	37,938	8,901	46,839
Impairment losses recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income	–	1,242	1,242

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Mainland China	**248,115**	242,532
Africa	**9,455**	11,112
America	**1,961**	17,468
Asia & others	**12,774**	18,373
Middle East	**19,930**	24,550
Japan	**56,504**	43,742
	348,739	357,777

The revenue information above is based on the shipment destinations.

(b) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Japan	**94**	–
Hong Kong	**671**	781
Mainland China	**411,701**	385,862
	412,466	386,643

The non-current asset information of continuing operations above is based on the locations of the assets and excludes deferred tax assets.

4. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts, for the six months ended 30 June 2016.

An analysis of revenue and other income and gains is as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**348,739**	357,777
Other income and gains, net		
Sale of scrap materials	**2,796**	3,043
Bank interest income	**133**	336
Government grants		
— Related to assets	**150**	161
— Related to income	**1,179**	29
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**–**	2,915
Exchange gains	**1,314**	1,271
Income from R&D design	**2,663**	3,173
Others	**666**	629
	8,901	11,557

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,702**	3,185
Interest on finance lease	**9**	13
	1,711	3,198

6. PROFIT BEFORE TAX

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

	Notes	**Six months ended 30 June** **2016** ***HK$'000***	2015 *HK$'000*
Cost of inventories sold		**224,538**	257,173
Depreciation	10	**14,792**	16,009
Amortisation of prepaid land lease payments		**870**	944
Research and development costs		**13,645**	14,468
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**28,259**	28,003
Pension scheme contributions		**4,327**	3,803
Equity-settled share option expenses		**404**	1,413
		32,990	33,219
Exchange (gains)/loss, net*		**(1,314)**	1,415
Impairment of trade receivables**	11	**(470)**	717

* Included in "Other income and gains" or "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

** Included in "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempt from the payment of the Cayman Islands income tax.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2016 (six months ended 30 June 2015: 16.5%). No provison for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during this period (six months ended 30 June 2015: Nil).

7. INCOME TAX EXPENSE (Continued)

Pursuant to the PRC Income Tax Law and the respective regulations, the company which operates in Mainland China is subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Euro Asia Packaging (Guangdong) Co., Ltd. (廣東歐亞包裝有限公司), and Botny Chemical (Guangzhou) Limited (廣州保賜利化工有限公司) since they were recognised as High Technology Enterprises and are entitled to a preferential tax rate of 15% for the six months ended 30 June 2015 and 2016.

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Charge for the period		
Current	**14,773**	10,237
Deferred	**72**	(533)
Total tax charge for the period	**14,845**	9,704

8. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Proposed interim – HK1.4 cents per ordinary share (2015: Nil)	**8,610**	—

9. 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.

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**56,094**	35,450
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**626,287,567**	421,624,089
Effect of dilution — weighted average number of ordinary shares:		
Share options	**130,553,653**	7,901,975
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**756,841,220**	429,526,064

10. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	HK$'000	*HK$'000*
Carrying amount at 1 January	**295,907**	315,569
Additions	**60,345**	29,454
Depreciation provided during the period/year	**(14,792)**	(30,126)
Disposals	**(42)**	(512)
Exchange realignment	**(6,542)**	(18,478)
Carrying amount at 30 June/31 December	**334,876**	295,907

The Group's buildings are located in Mainland China.

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery amounted to HK$781,000 and HK$671,000 as at 31 December 2015 and 30 June 2016.

Certain of the Group's interest-bearing bank borrowings were secured by the Group's buildings with carrying values of HK$86,982,000 and HK$20,991,000 as at 31 December 2015 and 30 June 2016 (note 15).

Certain of the Group's interest-bearing bank borrowings were secured by the Group's plant and machinery with carrying values of HK$84,783,000 and HK$78,609,000 as at 31 December 2015 and 30 June 2016 (note 15).

11. TRADE AND BILLS RECEIVABLES

The Group requires most of its customers to make payment in advance, however, the Group grants certain credit periods to those customers with good payment history. The credit period for specific customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivable approximate to their fair values.

	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**64,932**	58,566
Impairment	**(2,498)**	(3,032)
	62,434	55,534
Bills receivables	**17,421**	13,882
	79,855	69,416

11. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade receivables as at 30 June 2016 and 31 December 2015, based on the invoice date and net of provision is as follows:

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
Within 30 days	**29,376**	23,869
31 to 60 days	**14,372**	10,255
61 to 90 days	**2,967**	5,522
Over 90 days	**15,719**	15,888
	62,434	55,534

The movements in provision for impairment of trade receivables are as follows:

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
At 1 January	**3,032**	1,945
Impairment losses recognised	**(470)**	1,242
Exchange realignment	**(64)**	(155)
	2,498	3,032

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
Forward currency contracts	**556**	424

The Group has entered into various contracts to manage its exchange rate exposure which did not meet the criteria for hedge accounting. Fair value losses of HK$142,000 (30 June 2015: Fair value gains of HK$2,915,000) were recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income during the period.

13. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 30 June 2016 and 31 December 2015, based on the invoice date, is as follows:

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
Within 30 days	**52,375**	36,278
31 to 60 days	**15,698**	14,688
61 to 90 days	**639**	10,736
Over 90 days	**1,311**	1,106
	70,023	62,808

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days. The carrying amounts of the trade payables approximate to their fair values.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
Deposits received from customers	**27,879**	24,573
Salary and welfare payables	**10,263**	10,214
Tax payables other than current income tax liabilities	**2,343**	5,440
Other payables and accruals	**14,512**	13,747
	54,997	53,974

The salary and welfare payables are non-interest-bearing and are payable on demand. The other payables and accruals are non-interest-bearing and are payable within one year.

15. INTEREST-BEARING BANK BORROWINGS

	As at 30 June 2016			As at 31 December 2015		
	Contractual interest rate	**Maturity**	***HK$'000***	Contractual interest rate	Maturity	*HK$'000*
Current						
Finance lease payables	**4.11%**	**2016-2017**	**245**	4.11%	2016	241
Interest-bearing bank loans – secured	**PBOC base rate*1.10**	**2016**	**23,336**	PBOC base rate*1.10	2016	23,865
Interest-bearing bank loans – secured	**LIBOR/ PBOC base rate*1.15**	**2016**	**15,336**	LIBOR/ PBOC base rate*1.15	2016	17,176
			38,917			41,282
Non-current						
Finance lease payables	**4.11%**	**2017-2018**	**253**	4.11%	2017–2018	377
Long term interest-bearing bank loans – secured	**PBOC base rate/ PBOC base rate*1.15**	**2018**	**12,088**	PBOC base rate*1.15	2017–2018	19,425
			12,341			19,802
			51,258			61,084

Notes:

"PBOC" stands for the People's Bank of China (中國人民銀行), the central bank of China.

"LIBOR" stands for London Interbank Offered Rate.

	30 June 2016 ***HK$'000***	31 December 2015 *HK$'000*
Repayable:		
Within one year or on demand	**38,917**	41,282
In the second year	**12,341**	14,377
In the third to fifth years, inclusive	**–**	5,425
	51,258	61,084

15. INTEREST-BEARING BANK BORROWINGS (Continued)

The above secured bank loans were secured by certain of the Group's assets and their carrying values are as follows:

	Notes	30 June 2016 HK$'000	31 December 2015 HK$'000
Property, plant and equipment	10	**99,600**	171,765
Prepaid land lease payments		**14,871**	9,689
		114,471	181,454

	30 June 2016 HK$'000	31 December 2015 HK$'000
Interest-bearing bank borrowings denominated in		
— Renminbi ("RMB")	**49,236**	57,417
— United States dollars ("US$")	**1,523**	3,049
— HK$	**499**	618
	51,258	61,084

The Group has the following undrawn banking facilities:

	30 June 2016 HK$'000	31 December 2015 HK$'000
Floating rate		
— expiring within one year	**144,300**	90,995
— expiring over one year	**42,935**	36,845
	187,235	127,840

The Group's banking facilities amounting to HK$37,877,000 as at 30 June 2016 (2015: HK$40,927,000) were guaranteed by Mr. Lin Wan Tsang and Euro Asia Aerosol and Household Products Manufacture Co., Ltd ("Euro Asia Aerosol").

16. ISSUED CAPITAL

	Notes	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares *HK$*
Authorised:			
At 1 January 2015		404,865,000	4,048,650
Placing shares on 12 May 2015	*(a)*	49,800,000	498,000
Placing shares on 16 June 2015	*(b)*	41,174,000	411,740
Share options exercised		3,304,000	33,040
Convertible notes converted	*(c)*	125,000,000	1,250,000
At 31 December 2015 and 1 January 2016		624,143,000	6,241,430
Share options exercised		768,000	7,680
Convertible notes converted	*(d)*	8,000,000	80,000
At 30 June 2016		632,911,000	6,329,110

(a) 49,800,000 placing shares have been successfully placed to not less than six placees at the placing price of HK$2.41 per placing share on 12 May 2015 pursuant to the placing agreement entered into by the Company on 28 April 2015.

(b) On 8 June 2015, the Company entered into the placing and subscription agreement with Wellmass and the placing agent pursuant to which Wellmass agreed to place, through the placing agent, on a best endeavour basis, up to 80,000,000 placing shares to not less than six placees at a price of HK$2.28 per placing share and Wellmass conditionally agreed to subscribe for up to the same number of new shares at the subscription price of HK$2.28 per new shares.

41,174,000 new shares were allotted and issued to Wellmass on 16 June 2015 at the subscription price of HK$2.28 per new share.

(c) On 20 May 2015, the Group acquired a 100% interest in the Topspan Holdings Limited, an investment holding company of a group of companies (the "Topspan Group"), from Mr. Lin Wan Tsang, the controlling shareholder of the Company. The Topspan Group is engaged in the content filling of aerosol cans and production and sale of aerosol and non-aerosol products. The acquisition was made as part of the Group's strategy to allow the Group to capture downstream profit margins by gaining access to the downstream distribution channels. The purchase consideration aggregated to HK$900,000,000, of which HK$120,000,000 was settled by cash and HK$780,000,000 will be settled by the issue of convertible notes by the Company (the "Convertible Notes").

16. ISSUED CAPITAL (Continued)

On 10 July, 8 September and 27 October 2015, the Company received a formal notice from the Vendor for the exercise of the conversion rights attached to the convertible notes in the amount of HK$108,000,000, HK$21,600,000 and HK$5,400,000 respectively at the Conversion Price of HK$1.08 per Conversion Share (the "Conversion"). The portion of the convertible notes of which the conversion rights are being exercised represents approximately 17.31% of the convertible notes with a principal amount of HK$780,000,000 held by the Vendor. In accordance with the Conversion requirement, 125,000,000 Conversion Shares have been resolved to be allotted and issued by the Company to the Vendor on 10 July, 8 September and 27 October 2015.

(d) On 22 March and 5 May 2016, the Company received a formal notice from the Vendor for the exercise of the conversion rights attached to the convertible notes in the amount of HK$3,240,000 and HK$5,400,000 respectively at the Conversion Price of HK$1.08 per Conversion Share. The portion of the convertible notes of which the conversion rights are being exercised represents approximately 1.11% of the convertible notes with a principal amount of HK$780,000,000 held by the Vendor. In accordance with the Conversion requirement, 8,000,000 Conversion Shares have been resolved to be allotted and issued by the Company to the Vendor on 22 March and 5 May 2016.

17. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AT A GLANCE

The Group is principally engaged in (i) the manufacturing of monobloc aluminum aerosol cans, which are generally used in the packaging of fast-moving personal care products such as body deodorant, hair styling products and shaving cream, as well as pharmaceutical products such as pain relieving spray, spray dressing and antiseptic spray; and (ii) the content filling of aerosol cans, and production and sale of aerosol and non-aerosol products which focuses on, among others, the development of high-end car care service products. 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. In addition, aerosol and non-aerosol products produced and sold by the Group includes car refrigerants, air conditioner disinfectant cleaner, paint remover, spray paint, wax, air fragrance, multi-purpose foam cleaner, carburetor cleaner, anti-rust lubricating spray, furniture polisher and sticker remover.

Our revenue is primarily derived from (i) the sale of aluminum aerosol cans; and (ii) the sale of aerosol and non-aerosol products. For the six months ended 30 June 2016, with the productivity enhancement driven by the acquisition of an automated production line in November 2015, the Group achieved a steady growth in production and sales in an orderly manner. While due to the impact of depreciation of RMB against HK$, the Group's revenue for the six months ended 30 June 2016 recorded a slight decrease of approximately 2.5% as compared to the same period in 2015. For the six months ended 30 June 2016, revenue derived from the sale of aluminum aerosol cans was approximately HK$120.8 million (2015: HK$114.6 million) and the sale of aerosol and non-aerosol products was approximately HK$227.9 million (2015: HK$243.2 million), representing approximately 34.6% and 65.4% of the Group's revenue, respectively.

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, the soft landing of the PRC economy and the slowdown of growth in the consumable products and domestic demands in high-end personal care products in the PRC.

Amid the rapidly changing market environment, the Group will continue to (i) leverage 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 more advanced machinery and equipment to enhance our product quality, production capacity and efficiency in order to cope with the recent development trends in the market.

FINANCIAL REVIEW

Turnover

Aluminum aerosol cans segment

For the six months ended 30 June 2016, the Group's aluminum aerosol cans segment has recorded a turnover of approximately HK$120.8 million (2015: HK$114.6 million), representing an increase of approximately 5.4% as compared to the corresponding period of 2015. The number of aluminum aerosol cans sold by the Group for the six months ended 30 June 2016 was approximately 81.6 million (2015: 75.1 million).

Aerosol and non-aerosol products segment

For the six months ended 30 June 2016, our aerosol and non-aerosol products segment has generated revenue amounting to approximately HK$227.9 million (2015: HK$243.2 million) representing a decrease of approximately 6.3% as compared to the corresponding period of 2015.

PRC and oversea customers

Our PRC customers and overseas customers contributed approximately HK$248.1 million (2015: HK$242.5 million) and HK$100.6 million (2015: HK$115.3 million) to the total revenue of the Group. There was a decrease of approximately 12.7% in sales from our overseas customers which is primarily due to the fact that we strategically reduced a portion of export sales order which has low profit margin.

Cost of Sales

For the six months ended 30 June 2016, cost of sales of the Group amounted to approximately HK$224.5 million (2015: HK$257.2 million), which represent approximately 64.4% (2015: 71.9%) of the turnover in the period. There was a decrease of approximately 12.7% in cost of sales which was mainly due to the improvement of procurement process leading to a reduction in production costs. The reduction in production costs was attributable to (i) fall in global aluminum price and international crude oil price; and (ii) the cost of procurement of solvents such as isohexane, dimethyl ether, coal gas, odorless kersene, methylbenzene, acetone and butyl acetate, being major raw materials for the production of the Company's aerosol and paste canned environmental fine chemical products, significantly decreased for the six months ended 30 June 2016 as compared to the corresponding period of last year due to continuous decline of international crude oil price.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK$124.2 million for the six months ended 30 June 2016 (2015: HK$100.6 million), representing an increase of approximately 23.5% as compared to the corresponding period of 2015. The gross profit margin increased from approximately 28.1% for the six months ended 30 June 2015 to approximately 35.6% for the corresponding period of 2016.

Other Income and Gains

Other income and gains mainly comprises sale of scrap materials, bank interest income, government grants and exchange gains. For the six months ended 30 June 2016, other income and gains of the Group was approximately HK$8.9 million (2015: HK$11.6 million), representing a decrease of approximately HK$2.7 million as compared to the corresponding period of 2015. Such decrease was primarily due to the decrease in net fair value gains of derivative instruments of approximately HK$2.9 million for the six months ended 30 June 2016.

Selling and Distribution Costs

Selling and distribution costs 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, related business travel and entertainment expenses, and advertisement and promotion costs. For the six months ended 30 June 2016, selling and distribution costs were approximately HK$23.1 million (2015: HK$24.1 million), representing a decrease of approximately 4.1% as compared to the corresponding period of 2015. The decrease was primarily due to better cost control on selling and distribution costs.

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 2016, administrative expenses was approximately HK$22.5 million (2015: HK$22.6 million), representing a decrease of approximately HK$0.1 million. The slight decrease in administrative expenses was primarily due to the decrease in business taxes and surcharges of HK$4.3 million (2015: HK$5.8 million) which was offset by the increase in salaries and benefit of HK$7.7 million (2015: HK$6.7 million).

Finance Costs

For the six months ended 30 June 2016, the finance costs of the Group was approximately HK$1.7 million (2015: HK$3.2 million), representing a decrease of approximately 46.9% as compared to the corresponding period of 2015. The decrease in finance cost was mainly due to the decrease in average monthly bank borrowings.

Net Profit

The Group's net profit amounted to approximately HK$56.4 million for the six months ended 30 June 2016 (2015: HK$35.7 million), representing an increase of approximately 58.0% as compared to the corresponding period in 2015. Net profit margin for the six months ended 30 June 2016 was approximately 16.2% (2015: 10.0%), representing an increase of approximately 6.2% as compared to the corresponding period of 2015. Significant increase in net profit was primarily due to i) change in sales mix; ii) improving procurement process leading to a reduction in production cost; and iii) productivity enhancement driven by the acquisition of an automated production line in November 2015.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group had net current assets of approximately HK$140.7 million (2015: HK$170.3 million). The current ratio of the Group was approximately 1.8 as at 30 June 2016 (31 December 2015: 2.0).

Borrowings and the Pledge of Assets

The bank borrowings of the Group, which were secured by our properties, plant and equipment, land use rights and pledged bank deposits amounted to approximately HK$51.3 million (of which HK$49.2 million, HK$1.5 million and HK$0.5 million are denominated in RMB, US$ and HK$ respectively) as at 30 June 2016 with maturity date from 2016 to 2018 (31 December 2015: HK$61.1 million). Except for the finance lease payable which is charged at 4.11%, all other bank borrowings are charged with reference to bank's preferential floating rates.

As at 30 June 2016, we had available unutilized banking facilities of approximately HK$187.2 million (31 December 2015: HK$127.8 million). Further details of the Group's bank borrowings are set out in note 15.

Gearing Ratio

As a result of decrease in cash and cash equivalent and increase in total borrowings of the Group, the gearing ratio which is calculated by dividing total borrowings by total equity, increased to approximately -2% as at 30 June 2016 (31 December 2015: -10%). Further details of the Group's bank borrowings are set out in note 15 of the notes to the interim condensed consolidated financial statements.

CAPITAL STRUCTURE

As at 30 June 2016, the total number of issued shares of the Company (the "Shares") was 632,911,000 (31 December 2015: 624,143,000).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 28.9% of the Group's revenue for the six months ended 30 June 2016 were denominated in US$. However, approximately 90% of the production costs were settled in RMB. Therefore, there is a currency mismatch between US$ 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.

We have entered into foreign currency forward contracts with state-owned banks in the PRC to hedge the foreign exchange risks arising out of the currency mismatch between the US$ sales proceeds from our export sales and our predominantly RMB based operations in the PRC. As a result of the depreciation of RMB against US$, we managed to account for approximately HK$0.2 million of realized loss on the forward contracts for the six months ended 30 June 2016.

As at 30 June 2016, we had outstanding foreign currency forward contracts with notional amounts of approximately US$3 million. A fair value loss on the outstanding foreign currency forward contracts of approximately HK$0.1 million had been recognized for the six months ended 30 June 2016.

FORWARD PURCHASE OF ALUMINUM INGOTS

The major raw materials for manufacturing of aluminum aerosol cans are aluminum slugs which are processed from aluminum ingots. Aluminum ingots are a widely used metal commodity, 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.

As at 30 June 2016, we had no outstanding forward purchases of aluminum ingots as the aluminum price was relatively stable during the six months ended 30 June 2016.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2016, the Group had employed a total of 747 employees. The staff costs, including directors' emoluments but excluding any contributions to pension scheme, were approximately HK$28.7 million for the six months ended 30 June 2016 (2015: HK$23.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance and share options are granted to attract and retain eligible employees of the Group. The emoluments of Directors have been determined with reference to the skills, knowledge, and involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the period.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2016, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2016, the Group had no acquisition or disposal 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 our Shares (the "Share Offer") were approximately HK$80 million. During the six months ended 30 June 2016, the net proceeds from the Share Offer are summarized as follows:

Business objectives as stated in the prospectus	**Actual net proceeds**	**Amount utilized up to 31 December 2015**	**Utilized net proceeds from Share Offer for the six months ended 30 June 2016**	**Balance as at 30 June 2016**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Partially fund the expansion of our production capacity, including the upgrade of our existing production lines and the acquisition of a brand new production line for aluminum aerosol cans	48.0	48.0	–	–
Establish a new research and development laboratory	12.0	–	–	12.0
Partially repay US$ denominated bank loan	16.0	16.0	–	–
General working capital purposes	4.0	4.0	–	–
	80.0	68.0	–	12.0

The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and 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.

COMMITMENT

As at 30 June 2016, the Group's operating lease and capital commitment amounted to HK$0.8 million (31 December 2015: HK$1.1 million) and HK$0.6 million (31 December 2015: HK$37.1 million), respectively.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no significant contingent liabilities (31 December 2015: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2016, (i) 8,000,000 new ordinary Shares of HK$1.08 each and 768,000 new ordinary Shares of HK$0.70 each were issued upon conversion of convertible notes and exercise of share options by option holders under the Pre-IPO Option Scheme respectively; and (ii) 17,618,000 ordinary Shares were repurchased and the repurchased ordinary Shares were cancelled in July 2016.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

AUDIT COMMITTEE

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") for the purpose of making recommendations to the Board on the appointment and removal of the external auditors, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the risk management and internal control procedures of the Group. The Audit Committee now comprises four members, all being independent non-executive Directors, namely, Mr. Yip Wai Man Raymond (Chairman), Mr. Chung Yi To, Ms. Guo Yang and Dr. Lin Tat Pang. 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 2016 and recommended its adoption by the Board.

RISK MANAGEMENT COMMITTEE

The risk management committee of the Company (the "Risk Management Committee") was established on 20 June 2013, comprising three independent non-executive Directors, namely, Mr. Chung Yi To (Chairman), Dr. Lin Tat Pang and Mr. Yip Wai Man Raymond; and the non-executive Director, namely Mr. Kwok Tak Wang. The Risk Management Committee is mainly responsible for assisting the Board in overseeing the Group's (i) risk governance structure; and (ii) hedging policies regarding its activities in forward purchases of aluminum ingots and entering into foreign currency forward contracts.

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 of the Group for the six months ended 30 June 2016 and is of the opinion that the Group has complied with the hedging policy.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the period under review, the Company has complied with the code provisions set out in the corporate governance Code (the "CG Code") in Appendix 14 to the Listing Rules except CG Code provision A.2.1.

Pursuant to 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 are performed by Mr. Lin Wan Tsang ("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 four 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code for the six months ended 30 June 2016.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK1.4 cents per ordinary share for the six months ended 30 June 2016 (2015: Nil) to be payable to the shareholders of the Company whose names appear on the register of members of the Company on 15 September 2016 and such payment is expected on or around 14 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 September 2016 to 15 September 2016, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the interim dividend of HK1.4 cents per ordinary share of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer froms, must be lodged with the Company's branch share register in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 12 September 2016.

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 2016 will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Lin Wan Tsang
Chairman & Executive Director

Hong Kong, 29 August 2016

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