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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)

CONTINUING CONNECTED TRANSACTIONS NEW MASTER SUPPLY AGREEMENT

INTRODUCTION

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 will expire 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).

LISTING RULES IMPLICATION

As at the date of this announcement, 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 Precious Dragon as at the date of this announcement. 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.

A circular containing, among other things, (i) further information on the 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; and (iv) the notice convening the EGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 29 December 2021.

INTRODUCTION

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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.

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; (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.

To ensure the Group's future selling prices are fair and reasonable and in accordance with the principles set out above, the Group will shall, when determines the selling price, make reference to (i) the creditability of the Precious Dragon Group; (ii) the expected material costs and production costs to be incurred by the Group in providing the Products; (iii) the marginal profit to be made by the Group, which is expected to be comparable to the profit that can be realised by sales to its other independent customers; and (iv) any adjustments, which shall be the same as that offered by the Group to its independent customers, based on expected quantity, quality, delivery plan, specification and market competition condition of the Products purchased by Precious Dragon Group. 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).

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 the 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 (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

The Annual Caps are determined by the Board after taking into account several factors including, among others,

- (i) the demand from the Precious Dragon Group after the outbreak of the COVID-19 pandemic since early 2020 as the epidemic 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; and

- (ii) the potential growth in sales of the Precious Dragon Group generated from the United States and the Southeast Asia following commencement of the operation of its new production plant in Thailand which is expected to be in the first quarter of 2022, as the new overseas manufacturing plant allows the Precious Dragon Group to (a) 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 (b) expand the local market in the Southeast Asia. Such growth potential will in turn increase the Precious Dragon Group's demand for the Products.

8. Periodic review

Periodic review on the selling price and payment terms will be made. The Board believes that the periodic review and internal control procedures in place will help ensure the relevant continuing connected transactions to be conducted on normal commercial terms and not prejudicial to the interest of the Company and its Shareholders as a whole.

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 (excluding the independent non-executive Directors whose views will be given after taking into account the advice from 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 (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the New Master Supply Agreement and the transactions contemplated thereunder (including Annual Caps) are 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 date of this announcement, 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 date of this announcement. 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.

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

The Company will convene the EGM to obtain the approval from the Independent Shareholders in respect of the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

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.

A circular containing, among other things, (i) further information on the 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; and (iv) the notice convening the EGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 29 December 2021.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and shall have the following meanings below:

“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)

“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
“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, an exempted 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
“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

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

Hong Kong, 8 December 2021

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