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China Aluminum Cans Holdings Limited
中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6898)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

INTERIM RESULTS

The board of directors ("Directors") (the "Board") 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 2013, together with the comparative figures for the six months ended 30 June 2012. The interim condensed consolidated financial statements have been reviewed by Ernst & Young, the external auditors of the Group, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Group's audit committee (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**130,353**	145,990
Cost of sales		**(80,823)**	(97,723)
Gross profit		**49,530**	48,267
Other income and gains, net	*4*	**6,479**	3,317
Selling and distribution costs		**(5,052)**	(4,143)
Administrative expenses		**(21,460)**	(12,059)
Other expenses		**(1,526)**	(531)
Finance costs	*5*	**(3,409)**	(4,516)
PROFIT BEFORE TAX	*6*	**24,562**	30,335
Income tax expense	*7*	**(5,544)**	(4,970)
PROFIT FOR THE PERIOD		**19,018**	25,365
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**3,102**	(1,026)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**22,120**	24,339
Profit attributable to:			
Owners of the parent		**18,594**	22,707
Non-controlling interests		**424**	2,658
		19,018	25,365
Total comprehensive income attributable to:			
Owners of the parent		**21,580**	21,789
Non-controlling interests		**540**	2,550
		22,120	24,339
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**HK6.2 cents**	HK7.6 cents
Diluted		**HK6.2 cents**	HK7.6 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**30 June 2013 *HK$'000* (Unaudited)**	31 December 2012 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**229,629**	201,635
Prepaid land lease payments		**16,999**	16,944
Non-current prepayments	*13*	**1,396**	14,004
Deferred tax assets		**576**	586
Total non-current assets		**248,600**	233,169
CURRENT ASSETS			
Inventories		**29,410**	25,462
Trade and bills receivable	*11*	**47,719**	39,141
Derivative financial instruments	*12*	**1,141**	–
Prepayments, deposits and other receivables	*13*	**8,188**	6,870
Pledged bank deposits	*14*	**2,874**	2,980
Cash and cash equivalents	*14*	**23,602**	2,380
Total current assets		**112,934**	76,833
CURRENT LIABILITIES			
Trade payables	*15*	**7,154**	4,844
Other payables and accruals	*16*	**21,303**	20,784
Interest-bearing bank borrowings	*17*	**61,589**	56,253
Tax payable		**6,838**	6,179
Deferred income		**270**	265
Total current liabilities		**97,154**	88,325
NET CURRENT ASSETS/(LIABILITIES)		**15,780**	(11,492)
TOTAL ASSETS LESS CURRENT LIABILITIES		**264,380**	221,677
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*17*	**74,802**	54,465
Deferred tax liabilities		**171**	–
Deferred income		**3,573**	3,643
Total non-current liabilities		**78,546**	58,108
Net assets		**185,834**	163,569
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*18*	**–**	–
Reserves		**183,053**	161,328
		183,053	161,328
Non-controlling interests		**2,781**	2,241
Total equity		**185,834**	163,569

NOTES:

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard ("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 2012.

The interim condensed consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The Reorganisation involved business combination of entities under common control and the Group is regarded and accounted for as a continuing group. Accordingly, the interim condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2013, and the interim condensed consolidated statement of financial position of the Group as at 30 June 2013 (the "Interim Condensed Consolidated Financial Statements") have been prepared as if the current group structure had been in existence beginning on 1 January 2012, or since their respective dates of incorporation/registration, whichever is the shorter period. All significant intra-group transactions and balances have been eliminated on consolidation in full.

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 2012, except for the adoption of the new and revised standards as of 1 January 2013, noted below.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements *2009–2011 Cycle*	Amendments to a number of IFRSs issued in May 2012

The adoption of these new and revised standards has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements, except for the followings:

IFRS 13 ***Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.

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 such as medicines, personal care products, air fresheners, insecticides and other chemical products.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the Directors reviewed the financial results of the Group as a whole reported under IFRSs. Therefore, the operation of the Group constitutes one single reportable segment. Accordingly, no operating segment is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland China	**76,750**	54,382
Overseas	**53,603**	91,608
	130,353	145,990

The revenue information above is based on the shipment destinations.

(b) Non-current assets

All the non-current assets held by the Group are located in Mainland China, no geographical information is presented in accordance with IFRS 8.

Information about a major customer

Revenue of approximately HK$15,392,000 and HK$19,435,000 was derived from sales to a single customer of the Group for the six months ended 30 June 2012 and 30 June 2013, respectively.

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 2013.

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**130,353**	145,990
Other income and gains, net		
Sale of scrap materials	**4,167**	2,608
Bank interest income	**15**	113
Government grants	**457**	325
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**1,124**	47
Exchange gains	**564**	–
Others	**152**	224
	6,479	3,317

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**3,409**	4,516

6. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Cost of inventories sold		**80,823**	97,723
Depreciation	*10*	**8,454**	8,000
Amortisation of prepaid land lease payments		**246**	244
Research and development costs		**3,397**	3,704
Exchange (gains)/losses, net		**(564)**	256

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 operate.

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.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2013 (Six months ended 30 June 2012: Nil).

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. ("Euro Asia Packaging") (廣東歐亞包裝股份有限公司), since it was recognised as a High Technology Enterprise and is entitled to a preferential tax rate of 15% for the six months ended 30 June 2012 and 2013.

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	**5,355**	4,981
Deferred	**189**	(11)
Total tax charge for the period	**5,544**	4,970

8. DIVIDEND

No dividend has been paid or declared by the Company since the date of its incorporation.

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 basis that 300,000,000 ordinary shares, being the number of shares immediately prior to the issuance of new shares on 12 July 2013, were in issue during the period, and assuming the Capitalisation Issue had been completed on 1 January 2012, as further detailed in note 20(a) to the financial statements.

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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**18,594**	22,707
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**300,000,000**	300,000,000
Effect of dilution — weighted average number of ordinary shares: Share options	**292,000**	–
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**300,292,000**	300,000,000

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying amount at 1 January	**201,635**	212,677
Additions	**33,076**	5,370
Depreciation provided during the period/year	**(8,454)**	(16,302)
Disposals	**–**	(51)
Exchange realignment	**3,372**	(59)
Carrying amount at 30 June/31 December	**229,629**	201,635

The Group's buildings are located in Mainland China.

Certain of the Group's interest-bearing bank borrowings were secured by the Group's buildings with carrying values of HK$27,967,000 and HK$27,629,000 as at 31 December 2012 and 30 June 2013 (note 17).

Certain of the Group's interest-bearing bank borrowings were secured by the Group's plant and machinery with carrying values of HK$98,616,000 and HK$110,866,000 as at 31 December 2012 and 30 June 2013 (note 17).

11. TRADE AND BILLS RECEIVABLE

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.

An aged analysis of the trade receivables as at 30 June 2013 and 31 December 2012, based on the invoice date and net of provision, and the balances of bills receivable is as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
Within 30 days	**31,584**	15,738
31 to 60 days	**65**	4,085
61 to 90 days	**119**	300
Over 90 days	**763**	1,079
	32,531	21,202
Bills receivable	**15,188**	17,939
	47,719	39,141

Certain of the Group's interest-bearing bank borrowings were secured by the Group's trade receivables with a carrying value of HK$21,115,000 as at 30 June 2013 (31 December 2012: HK$18,992,000) (note 17).

Included in the trade receivables were amounts totalling HK$2,586,000 as at 30 June 2013 (31 December 2012: Nil) due from fellow subsidiaries which are repayable on demand.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Forward currency contracts	**1,141**	–

The Group has entered into various contracts to manage its exchange rate exposure which did not meet the criteria for hedge accounting. Net changes in the fair value amounting to HK$1,141,000 (31 December 2012: Nil) were recognised in the statement of comprehensive income during the period.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Non-current prepayments	**1,396**	14,004
Current assets		
Prepayments	**4,300**	4,000
Tax recoverable	**133**	–
Receivables of tax refund	**2,754**	–
Deposits and other receivables	**1,001**	2,870
	8,188	6,870

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Cash and bank balances	**26,476**	5,360
Less: Pledged deposits		
Pledged for bank loans	**(2,874)**	(2,980)
Cash and cash equivalents	**23,602**	2,380

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks' authorisation to conduct foreign exchange business.

Pledged bank deposits represented balances pledged to banks for the Group's bank loans.

15. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2013 and 31 December 2012, based on the invoice date, is as follows:

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Within 30 days	**5,795**	3,096
31 to 60 days	**601**	380
61 to 90 days	**614**	834
Over 90 days	**144**	534
	7,154	4,844

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.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Deposits received from customers	**11,493**	12,745
Salary and welfare payables	**3,671**	4,166
Tax payables other than current income tax liabilities	**302**	1,233
Other payables and accruals	**5,837**	2,640
	21,303	20,784

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 due to mature within one year.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	As at 30 June 2013			As at 31 December 2012		
	Contractual interest rate	**Maturity**	***HK$'000* (Unaudited)**	Contractual interest rate	Maturity	*HK$'000* (Audited)
Current						
Interest-bearing bank loans — secured	**SIBOR/3.5%/ LIBOR+3.192%**	**2013**	**49,256**	SIBOR+2.5%/ 2.3%/6.4%	2013	50,819
Current portion of long term bank loans — secured	**SIBOR+2.5%/ PBOC base rate *1.1**	**2013–2014**	**12,333**	SIBOR+2.5%	2013	5,434
			61,589			56,253
Non-current						
Long term interest-bearing bank loans — secured	**–**	**–**	**–**	SIBOR+2.5%	2014	2,711
Long term interest-bearing bank loans — secured	**–**	**–**	**–**	PBOC base rate *0.9	2014	12,333
Long term interest-bearing bank loans — secured	**PBOC base rate**	**2014–2016**	**25,678**	PBOC base rate	2014–2016	30,269
Long term interest-bearing bank loans — secured	**SIBOR+2.5%**	**2014–2016**	**7,762**	SIBOR+2.5%	2014–2016	9,152
Long term interest-bearing bank loans — secured	**PBOC base rate *1.1**	**2014–2016**	**11,107**	–	–	–
Long term interest-bearing bank loans — secured	**PBOC base rate *1.05**	**2014–2015**	**18,831**	–	–	–
Long term interest-bearing bank loans — secured	**PBOC base rate**	**2014–2017**	**11,424**	–	–	–
			74,802			54,465
			136,391			110,718

Notes:

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

"SIBOR" stands for Singapore Interbank Offered Rate.

"LIBOR" stands for London Interbank Offered Rate.

	30 June 2013 *HK$'000* (Unaudited)	31 December 2012 *HK$'000* (Audited)
Repayable:		
Within one year or on demand	**61,589**	56,253
In the second year	**46,485**	22,547
In the third to fifth years, inclusive	**28,317**	31,918
	136,391	110,718

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

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Property, plant and equipment	10	**138,495**	126,583
Prepaid land lease payments		**17,497**	17,434
Trade receivables	11	**21,115**	18,992
Bills receivable		**–**	740
Pledged deposits	14	**2,874**	2,980
		179,981	166,729

The Group's bank loans amounting to HK$58,259,000 as at 30 June 2013 (31 December 2012: HK$97,644,000) were guaranteed by Mr. Lin Wan Tsang, the ultimate controlling shareholder of the Group.

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Interest-bearing bank and other borrowings denominated in		
— RMB	**72,389**	43,341
— US$	**64,002**	67,377
	136,391	110,718

The Group has the following undrawn banking facilities:

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Floating rate		
— expiring within one year	**39,069**	99,680
— expiring over one year	**44,412**	52,364
	83,481	152,044

The Group's banking facilities amounting to HK$106,850,000 as at 30 June 2013 (31 December 2012: HK$171,992,000) were guaranteed by Mr. Lin Wan Tsang, the ultimate controlling shareholder of the Group.

18. ISSUED CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 12 September 2012 (date of incorporation) to 30 June 2013, and subsequent to the reporting period up to 12 July 2013.

	Notes	**Number of ordinary shares of HK$0.01**	**Nominal value of ordinary shares** *HK$*
Unaudited			
Authorised:			
On incorporation	*(a)*	39,000,000	390,000
Increase in authorised share capital on 20 June 2013	*(b)*	741,000,000	7,410,000
As at 30 June 2013 and 12 July 2013		780,000,000	7,800,000
Issued and fully paid:			
On incorporation	*(a)*	1	–
As at 30 June 2013		1	–
Capitalisation Issue credited as fully paid conditional on the share premium account of the Company, being credited as a result of the issuance of new shares to the public	*20(a)*	299,999,999	3,000,000
Issuance of new shares on 12 July 2013	*20(b)*	100,000,000	1,000,000
As at 12 July 2013		400,000,000	4,000,000

(a) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 September 2012 with an authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each, of which 1 share was issued and allotted fully paid to Reid Services Limited at par, and was transferred to Wellmass International Limited on 21 September 2012 at par.

(b) Pursuant to the written resolutions of the sole shareholder passed on 20 June 2013, the authorised share capital of the Company was increased from HK$390,000 to HK$7,800,000 by the creation of an additional of 741,000,000 shares of HK$0.01 each.

19. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2013 and 31 December 2012.

20. EVENT AFTER THE REPORTING PERIOD

(a) Pursuant to the written resolutions of the sole shareholder passed on 20 June 2013, conditional on the share premium account of the Company being credited as a result of the Share Offer as defined in the Prospectus dated 28 June 2013, upon the recommendation of the Directors, the sum of HK$2,999,999.99, being part of the amount which would then be standing to the credit of the share premium account of the Company be capitalised and applied in paying up in full 299,999,999 shares to be allotted credited as fully paid at par to Wellmass International Limited (the "Capitalisation Issue").

(b) In connection with the Company's initial public offering, 100,000,000 shares of HK$0.01 each were issued at a price of HK$1.00 per share for a total cash consideration, before expenses, of approximately HK$100,000,000. Dealings in these shares on the Hong Kong Stock Exchange commenced on 12 July 2013.

(c) The Company's shares were listed on the Main Board of the Hong Kong Stock Exchange on 12 July 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AT A GLANCE

China Aluminium Cans Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in 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. Currently, the Group has a range of extrusion dies available in our inventory to produce more than 50 models of aluminum aerosol cans of base diameters from 22 mm to 66 mm and heights from 58 mm to 240 mm with various features and shapes for our customers' selection. Our products are sold in the PRC market and to different countries mainly in the Middle East and Africa. For the six months ended 30 June 2013, the Group recorded revenue from the PRC, the Middle East and Africa of HK$76.8 million, HK$27.2 million and HK$17.5 million, accounting for 58.9%, 20.9% and 13.4% of our total revenue respectively.

Operating environment and prospects

Looking forward, the second half of 2013 appears to be more challenging than the first half of the year as well as opportunities to maintain our leading aluminum aerosol can manufacturer position in the PRC market, as a result of the competition from relatively smaller aerosol cans manufacturer at overseas. However, the increasing urban household disposable income in recent years has led to the substantial growth of China's consumer market. It is forecast that a rising domestic consumption will bring about an increase in spending on various consumer goods including personal care and cosmetic products, which will lead to growing demands for packaging products such as aluminum aerosol cans in terms of quantity and quality. As such, in order to capture the growth in the PRC aerosol can market, the Group aims at speeding up the expansion of our product range and production capacity, and is in the course of installing a production line, which is a pre-owned production line expected to come into operation in the third quarter of 2013. With the full operation of this production line, our annual production capacity can be increased to approximately 260 million cans to increase our market share. We have expanded and will continue to expand our production capacity and product range in our aluminum packaging business to capture market. The Group has taken measures on strengthening our research and development team and cost control in order to improve our profitability. The Board is highly alert to any changes in the present uncertain global economy, and remains confident on and committed to the continuation of our mission to maintain our leading position in the PRC through innovation and expansion to capture market share so as to deliver sustainable growth and profitability to the Group.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2013, the Group recorded revenue of approximately HK$130.4 million (2012: HK$146.0 million), representing a decrease of approximately 10.7% as compared to the corresponding period of 2012. The decrease in revenue was due to the downward adjustment on our selling price as a result of the decrease in the price of aluminum ingots in prior year.

For the six months ended 30 June 2013, the Group sold 49.2 million cans (2012: 33.0 million cans) to PRC customers and recorded revenue of HK$76.8 million (2012: HK$54.4 million). Whereas, the Group recorded revenue from overseas customers of HK$53.6 million (2012: HK$91.6 million) for the sale of 41.4 million cans (2012: 64.9 million cans). The increase in the Group's PRC sales was mainly due to the rising demand from our major PRC customers.

Other Income and Gains

For the six months ended 30 June 2013, other income and gains mainly comprises sale of scrap materials, bank interest income, government grants, fair value gains on outstanding foreign currency forward contracts and exchange gains. Other income and gains of the Group was approximately HK$6.5 million (2012: HK$3.3 million), representing an increase of approximately HK$3.2 million as compared to the corresponding period of 2012. Such increase was due to (i) the increase in sale of scrap materials from HK$2.6 million for the six months ended 30 June 2012 to HK$4.2 million for the six months ended 30 June 2013; and (ii) fair value gains on outstanding foreign currency forward contracts of HK$1.1 million for the six months ended 30 June 2013.

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, business travel and entertainment expenses, and advertisement and promotion costs. For the six months ended 30 June 2013, selling and distribution costs was approximately HK$5.1 million (2012: HK$4.1 million), representing an increase of approximately 24.4% as compared to the corresponding period of 2012. The increase was primarily due to the increase in salaries and performance bonuses as a result of the expansion of our PRC sales team.

Administrative Expenses

Administrative expenses mainly represented the salaries and benefits of the administrative and management staff, research and development expenses, professional consulting fees, depreciation and other miscellaneous administrative expenses. For the six months ended 30 June 2013, administrative expenses was approximately HK$11.5 million (2012: HK$12.1 million) after excluding a once off listing expenses of approximately HK$10.0 million, representing a slight decrease as compared to the corresponding period of 2012.

Finance Costs

For the six months ended 30 June 2013, the Group recorded that the finance costs was HK$3.4 million (2012: HK$4.5 million), representing a decrease of approximately 24.4% as compared to the corresponding period of 2012. The decrease in finance cost was due to the decrease in average monthly RMB-denominated bank borrowings from RMB82.8 million for the six months ended 30 June 2012 to RMB51.1 million for the six months ended 30 June 2013.

Income Tax Expense

The income tax expense of the Group for the six months ended 30 June 2013 was HK$5.5 million, representing a slight increase as compared with HK$5.0 million for the corresponding period of 2012. Effective income tax rate for the current period was approximately 22.6%, which was higher as compared with approximately 16.4% for the corresponding period of 2012. The higher effective income tax rate was due to the non-deductible listing expenses incurred in 2013.

Net Profit

The Group's net profit for the six months ended 30 June 2013 was approximately HK$19.0 million (2012: HK$25.4 million), representing a decrease of approximately 25.2% as compared to the corresponding period of 2012. Net profit margin for the six months ended 30 June 2013 was approximately 14.6% (2012: 17.4%) representing a decrease of approximately 2.8% as compared to the corresponding period of 2012. Such decrease was primarily due to the listing expenses of approximately HK$10.0 million incurred during the period.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2013, the Group had net current assets of approximately HK$15.8 million (31 December 2012: net current liabilities of HK$11.5 million). The current ratio of the Group had improved to approximately 1.2 as at 30 June 2013 (31 December 2012: 0.9).

Borrowing and the Pledge of Assets

The bank borrowings of the Group, which were secured by our properties, plant and equipment, land use rights, trade receivables and pledged bank deposits amounted to approximately HK$136.4 million as at 30 June 2013 with maturity date from 2013 to 2017 (31 December 2012: HK$110.7 million), in which HK$61.6 million will be expired in period ending 30 June 2014.

The Group had HK$72.4 million RMB-denominated bank borrowings (2012: HK$43.3 million) and HK$64.0 million US$-denominated bank borrowings (2012: HK$67.4 million). As at 30 June 2013, we had available unutilized banking facilities of approximately HK$83.5 million (31 December 2012: HK$152.0 million). Further details of the Group's bank borrowings are set out in note 17.

Gearing Ratio

As a result of the increase in the Group's bank borrowings, the gearing ratio, which is calculated by dividing total borrowings by total equity, increased to approximately 73.4% as at 30 June 2013 (31 December 2012: 67.7%). Further details of the Group's bank borrowings are set out in note 17.

Contingent Liabilities

As at 30 June 2013, the Group had no significant contingent liabilities.

Contractual Obligations

As at 30 June 2013, the Group's operating lease and capital commitment amounted to HK$0.3 million (31 December 2012: HK$0.3 million) and HK$1.6 million (31 December 2012: HK$0.2 million), respectively.

Foreign exchange and exchange rate risk

Approximately 41.1% of the Group's revenue for the six months ended 30 June 2013 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 give 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 appreciation of RMB against US$, we managed to account for approximately HK$0.6 million of realized gains on the forward contracts for the six months ended 30 June 2013.

As at the 30 June 2013, we had outstanding foreign currency forward contracts with notional amounts of US$9.1 million. A fair value gain on the outstanding foreign currency forward contracts of approximately HK$1.1 million had been recognized for the six months ended 30 June 2013.

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 decrease in the spot price of aluminum ingots after our forward purchases.

As at 30 June 2013, we had outstanding forward purchases with notional amounts of RMB5.5 million consisting of 435 tonnes of aluminum ingots.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2013, the Group had employed a total of 404 employees. The staff costs, including directors' emoluments but excluding any contributions to pension scheme, were approximately HK$11.6 million for the six months ended 30 June 2013 (2012: HK$11.5 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.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2013, the Group did not have any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 28 June 2013 (the "Prospectus"), the Group did not have other plans for material investments or capital assets.

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in 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 period from 12 July 2013 (the "Listing Date"), being the date on which dealings in the shares first commenced in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the date of this announcement, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	**Use of proceeds as stated in the Prospectus** *(HK$)*	**Actual use of proceeds from the Listing Date to the date of this announcement** *(HK$)*
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	48,000,000	–
Establish a new research and development laboratory	12,000,000	–
Partially repay US$ denominated bank loan	16,000,000	16,000,000
General working capital purposes	4,000,000	–
	80,000,000	16,000,000

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

SUBSEQUENT EVENT AFTER THE INTERIM PERIOD

Pursuant to the written resolutions of the sole shareholder passed on 20 June 2013, conditional upon the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorized to capitalize the amount of HK$2,999,999.99 from the amount standing to the credit of the share premium account of our Company and to apply such amount to pay up in full at par 299,999,999 Shares for allotment and issue to Wellmass.

On 12 July 2013, 100,000,000 shares of HK$0.01 each of the Company were issued at an issue price of HK$1.0 each by way of the Share Offer.

The Company's shares were listed on the Main Board of the Stock Exchange on 12 July 2013.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the Listing Date up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established on 20 June 2013 with terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 (the "Code") to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules") for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the internal control procedures of the Group. The Audit Committee now comprises four members, all being independent non-executive Directors, namely, Mr. Leung Man Fai (Chairman), Dr. Lin Tat Pang, Mr. Chung Yi To and Ms. Guo Yang. The Group's accounting principles and practices, financial statements and related materials for the period had been reviewed by the 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 2013 and recommended its adoption by the Board.

RISK MANAGEMENT COMMITTEE

The risk management committee (the "Risk Management Committee") was established on 20 June 2013, comprising of three independent non-executive Directors, namely, Mr. Chung Yi To (Chairman), Dr. Lin Tat Pang, Mr. Leung Man Fai; and the non-executive Director, 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 statements of the Group for the six months ended 30 June 2013 and is of the opinion that the Group has complied with the hedging policy.

CORPORATE GOVERNANCE

The Board of the Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency and safeguard the interests of the Company and its shareholders, customers, staff and other stakeholders. It strives to maintain effective accountability systems through well-developed corporate policies and procedures, and internal systems and controls. The Company has complied with all the code provisions and, where applicable, adopted the recommended best practices, as set out in the Code throughout the six-month period ended 30 June 2013, except code provision A.2.1.

Pursuant to 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, the Company has deviated from the 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 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 set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have compiled with the required standard set out in the Model Code throughout the six month period ended 30 June 2013.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2013 (2012: nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.euroasia-p.com). The interim report of the Company for the six months ended 30 June 2013 will be dispatched to shareholders of the Company and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 19 August 2013

As at the date of this announcement, our executive Directors are Mr. Lin Wan Tsang, Ms. Ko Sau Mee and Mr. Chamlong Wachakorn; and our non-executive Director is Mr. Kwok Tak Wang; and our independent non-executive Directors are Mr. Leung Man Fai, Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Chung Yi To.