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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)

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE; (II) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES AND THE PLACING SHARES; (III) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL; AND (IV) CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to the Company

Donvex Capital Limited
富域資本有限公司

(I) THE ACQUISITION

The Board is pleased to announce that after trading hours on 3 October 2014, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor in relation to the acquisition of the Sale Share, which represent the entire issued share capital of the Target Company, at an aggregate consideration of HK$900 million. The Consideration of HK$900 million will be satisfied (i) as to HK$120 million by cash; and (ii) as to HK$780 million by the issue of Convertible Note by the Company on Completion.

As the relevant applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition pursuant to Rule 14.06(5) of the Listing Rules.

The Vendor, Mr. Lin, is a Director, the chairman and controlling shareholder of the Company and thus a connected person of the Company. As such, the Acquisition also constitutes a connected transaction of the Company. The Acquisition Agreement and the transactions contemplated therein are subject to the approval by Independent Shareholders at the EGM. Mr. Lin and his associates shall abstain from voting at the EGM. Insofar as Company is aware, as at the date of this announcement, apart from Mr. Lin and his associates, which are interested in 75% of the issued share capital of the Company, no other Shareholder has a material interest in the Acquisition which is different from the other Shareholders, and is required to abstain from voting in respect of the Acquisition in the EGM under the Listing Rules.

(II) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES AND PLACING SHARES

Pursuant to the Acquisition Agreement, for the purpose of settling the Consideration, the Directors will seek the approval of the Independent Shareholders at the EGM for the grant of the Specific Mandate to authorise the Directors to allot and issue the Conversion Shares and the Placing Shares.

(III) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

As at the date of this announcement, the Company has an unissued authorised share capital of HK$3,800,000 whereby 380,000,000 ordinary Shares of HK$0.01 each can be issued. For the purpose of the proposed issue of the 722,222,222 Conversion Shares to settle part of the Consideration under the Acquisition Agreement, the Board proposes to increase the authorised share capital of the Company from HK$7,800,000 (which is currently divided into 780,000,000 ordinary Shares of HK$0.01 each) to HK$15,000,000 divided into 1,500,000,000 ordinary Shares of HK$0.01 each.

The proposed increase of the authorised share capital of the Company will be approved by the Independent Shareholders at the EGM by poll.

(IV) CONTINUING CONNECTED TRANSACTIONS

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group after Completion. As such, the below Supply Agreement, Trademark License Agreement and Equipment Leasing Agreement will constitute continuing connected transactions for the Company.

Supply Agreement

On 3 October 2014, Botny Chemical (being an indirect wholly owned subsidiary of the Target Company) and China Motor Services (being a company beneficially owned by Mr. Lin) entered into the Supply Agreement pursuant to which Botny Chemical agrees to supply to China Motor Services Group and China Motor Services (for itself and on behalf of China Motor Services Group) agrees to purchase from Botny Chemical aerosol products from the Completion Date to 31 December 2016.

Trademark License Agreement

On 3 October 2014, Botny Chemical (being an indirect wholly owned subsidiary of the Target Company) and China Motor Management (being an indirect wholly owned subsidiary of China Motor Services and a company beneficially owned by Mr. Lin) entered into the Trademark License Agreement pursuant to which Botny Chemical agrees to lease from China Motor Management and China Motor Management agrees to lease to Botny Chemical the use of twelve trademarks from the Completion Date to 31 December 2016.

The relevant applicable percentage ratios under the Listing Rules for the aggregated annual caps as mentioned in the Supply Agreement and the Trademark License Agreement are less than 5%. Accordingly, the Supply Agreement and the Trademark License Agreement, pursuant to Rule 14A.76(2) of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Equipment Leasing Agreement

On 3 October 2014, Botny Chemical (being an indirect wholly owned subsidiary of the Target Company) and Euro Asia Aerosol (being a company wholly owned by Mr. Lin) entered into the Equipment Leasing Agreement pursuant to which Botny Chemical agrees to lease to Euro Asia Aerosol and Euro Asia Aerosol agrees to lease from Botny Chemical the use of certain production equipment from the Completion Date to 31 December 2016.

The relevant applicable percentage ratios under the Listing Rules for the annual caps as mentioned in the Equipment Leasing Agreement are less than 5% and the total consideration is less than HK$3 million. Accordingly, the Equipment Leasing Agreement, pursuant to Rule 14A.76(1) of the Listing Rules, is fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Acquisition. None of the members of the Independent Board Committee has any material interest in the Acquisition. An independent financial adviser, Nuada Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Acquisition contemplated under the Acquisition Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Acquisition Agreement, proposed grant of Specific Mandate and proposed increase of the authorised share capital of the Company; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) financial and other information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report; (vii) the notice of EGM; (viii) the proposed increase in the authorised share capital of the Company; (ix) the proposed grant of Specific Mandate; (x) such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 November 2014.

Shareholders and potential investors should note that completion of the Acquisition Agreement is subject to the fulfillment or waiver of the conditions precedent (as the case maybe) and completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares of the Company.

(I) THE ACQUISITION

Background

Reference is made to the Possible Acquisition Announcement. The Possible Acquisition has now been materialised and the Board is pleased to announce that after trading hours on 3 October 2014, the Purchaser, a wholly owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor in relation to the acquisition of the Sale Shares, which represent the entire issued share capital of the Target Company. Set out below are the principal terms of the Acquisition Agreement.

The Acquisition Agreement

Date:

3 October 2014

Parties:

Vendor:	Mr. Lin, an executive Director, the chairman and a controlling shareholder of the Company; and
Purchaser:	Euro Asia Investments, a wholly owned subsidiary of the Company.

Assets to be acquired:

Sale Share, being a total of 1 share of US$1.00 in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company.

The Target Company is the ultimate holding company of a group of companies including Botny Corporation, Botny Chemical, Botny HK, Guangzhou Shentian and Guangzhou Chaoli. The Target Group is principally engaged in the content filling of aerosol cans, and production and sale of aerosol and non-aerosol products. For details of the Target Group, please refer to the paragraphs headed "The Acquisition Agreement — Shareholding Structure of the Target Group before and after Restructuring" and "Information on the Target Group" below.

Consideration and Payment:

The aggregate consideration for the Sale Share is HK$900 million, of which HK$120 million shall be satisfied by cash and HK$780 million will be satisfied by the issuance of Convertible Note.

The aggregate value of the Cash Consideration is HK$120 million and shall be satisfied in the following manner:

(a) a deposit of HK$20 million shall be paid by the Purchaser to the Vendor within 5 Business Days upon entering into the Acquisition Agreement; and

(b) the remaining balance of HK$100 million shall be paid within 5 Business Days upon the fulfilment of condition (j) as mentioned in the section headed "Conditions precedent" below.

The Consideration is determined after arm's length negotiations between Vendor and the Purchaser with reference to (i) the reasons for the Acquisition as discussed in the section headed "Reasons for the Acquisition" below; (ii) the historical performance of the Target Company for the financial year ended 31 December 2013; and (iii) the business valuation of the Target Group as determined by Roma Appraisals Limited, an independent valuer, using the market-based approach by adopting the price-to-earnings multiple in the valuation, whereby the share price is compared to its per-share earnings. Based on the preliminary valuation report, the appraised market value of 100% equity interest in the Target Group as at 31 March 2014 is approximately HK$1,317 million. With reference to the valuation report, the median price-to-earnings ratio of comparable companies with similar businesses as the Target Group is approximately 18.7 times. The Consideration-to-earnings for the Acquisition, whereby the Consideration is compared to the Target Group's earnings for the year ended 31 December 2013, is approximately 14.7 times, which is below the median price-to-earnings ratio of the comparable companies.

The Directors (excluding the independent non-executive Directors who will render their opinion after reviewing the letter of advice from the independent financial adviser of the Company) consider that the Consideration is fair and reasonable after taking into account of the above factors.

Conditions precedent:

Completion of the Acquisition is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

(a) the completion of a due diligence exercise to be carried out by the Purchaser in respect of the financial position, books and records and businesses of the Target Group, and the relevant results being satisfactory to the Purchaser in its absolute discretion and written notice to that effect having been given to the Vendor;

(b) the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares and the Placing Shares;

(c) the passing by the Independent Shareholders in accordance with the Listing Rules and all applicable laws at the EGM of resolutions approving the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Placing Shares and Conversion Shares);

(d) there shall have been delivered to the Purchaser by the Vendor (in form and substance satisfactory to the Purchaser, in its absolute discretion) legal opinion dated the Completion Date of legal advisers as to the PRC law acceptable to the Purchaser relating to the Target Group and their respective businesses, and such resolutions, consents, authorities, documents and clearance relating to the Vendor with respect to the Acquisition Agreement and the transactions contemplated thereunder;

(e) the obtaining by the Company and the Purchaser of all necessary consents, approvals and permissions from relevant organisations, institutions, government and regulatory authorities (including the Stock Exchange) in respect of the Acquisition Agreement and the transactions contemplated thereunder (if applicable);

(f) the Vendor shall have delivered to the Purchaser the completion accounts in respect of the Target Group as referred to in the Acquisition Agreement, which shall be in form and substance satisfactory to the Purchaser, in its absolute discretion;

(g) the Target Company shall have repaid to the Vendor the Shareholder Loan, if any. As at the date of this announcement, the Target Company had no outstanding Shareholder Loan;

(h) the completion of restructuring of the Target Group (as stated under the paragraph headed "The Acquisition Agreement - Shareholding Structure of the Target Group before and after Restructuring";

(i) all the representations, warranties and undertakings of the Vendor remaining true and accurate as at Completion, for which the Vendor shall have performed or complied with at or before Completion (as the case may be);

(j) the Company having raised immediately available funds at or before Completion of not less than HK$120 million in aggregate through the placing of new Shares to be issued under the Specific Mandate on terms that funding is available for, and arrangements having been made to the satisfaction of the Purchaser that the appropriate amount of proceeds raised can be paid in and toward the satisfaction of the Purchaser's payment obligations under the Acquisition Agreement;

(k) the Company shall ensure the public float of the Shares will not fall below 25% as required by the Listing Rules upon Completion; and

(l) the Vendor shall have provided the Purchaser with certificates executed by the Vendor, certifying that as of Completion, each of the above conditions (other than (b), (c), (e), (h), (j) and (k)) shall have been satisfied and it is not aware of any matter or thing which is in breach of any of the representations, warranties and undertakings of the Vendor or is inconsistent with any of the above items.

If the above conditions shall not have been fulfilled or waived by the Purchaser on or before the Long Stop Date (provided that conditions (b), (c), (e), (h), (j) and (k) cannot be waived), the Acquisition Agreement shall, subject to certain provisions of the Acquisition Agreement and the liability of any party to the other in respect of any antecedent breaches of the terms of the Acquisition Agreement, cease to have effect.

As at the date of this announcement, the Board has no present intention to waive any of the conditions prior to the Long Stop Date. The Board will consider all circumstances and the interest of the Company and its shareholders before exercising its discretion to waive any of the conditions.

In respect of condition (j), the Board has considered other settlement alternatives namely, bank borrowings, rights issue or open offer. However, the Company has difficulty to obtain favorable terms on bank borrowings due to recent unsatisfactory business and financial performances. Higher cost will be incurred and longer time will be required for rights issue or open offer as compared to placing. As such, the Company plans to raise funds of HK$120 million through the placing of new Shares to be issued under the Specific Mandate.

The placing price and the placees had yet been determined, but in any circumstances, the placing price should not be less than the higher of (a) HK$1.08; and (b) the average market price of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the signing of the placing agreement and the number of placees will be more than six. The Company aims to seek independent corporate and institutional investors in the fund raising exercise. Such fund raising exercise, will not result in the introduction of a new controlling shareholder (as defined in the Listing Rules) of the Company, nor does the Company intends such issue to be made to the Vendor or any of their associates. The placees will be independent of the Company and its connected persons. As the completion of the fund-raising exercises is inter-conditional on the Acquisition, the Company will at its best effort to fix relevant terms of the fund raising exercises after the Acquisition is tabled for shareholders' approval at the EGM. The proceeds of HK$120 million from the placing will be used in relation to the payment of the Cash Consideration, of which HK$100 million will be applied to satisfy the remaining balance of the Cash Consideration and HK$20 million will be applied to make up the part of the general working capital of the Company which has been used to pay the Deposit.

Completion:

Completion shall take place on the Completion Date when all conditions set out in the Acquisition Agreement are fulfilled or otherwise waived.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group after Completion.

Terms of the Convertible Note

The terms of Convertible Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer	:	The Company
Principal amount	:	HK$780,000,000
Interest	:	Convertible Note will not carry any interest.
Term	:	A fixed term of five years from the date of issue of Convertible Note. Any principal amount of the Convertible Note which has not been redeemed or converted in accordance with the terms and conditions of the Convertible Note instrument by the Maturity Date shall be converted into the Conversion Shares on the Maturity Date.
Conversion	:	The Noteholder may at any time during Conversion Period convert the whole or part (in multiples of HK$1,000,000) of the principal amount of Convertible Note into new Conversion Shares at the Conversion Price. Subject to the conditions provided in the instrument constituting the Convertible Note, the Company may at any time during Conversion Period by at least 7 days' prior notice in writing request the Noteholder to convert certain amount of Convertible Note as specified therein and the Noteholder shall convert such amount of Convertible Note registered in its names into Conversion Shares as so requested by the Company. No fraction of a Conversion Share shall be issued on conversion.

Under the terms of Convertible Note, the Noteholder cannot convert the Convertible Note or part thereof if upon the exercise of the conversion rights under Convertible Note,

(i) the Noteholder and parties acting in concert with it are under an obligation to make a mandatory offer under the Takeovers Code; or

(ii) less than 25% or the minimum prescribed percentage as set out in the Listing Rules of the Company's issued shares would be held by the public.

Conversion Price : HK$1.08 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Note.

The Conversion Price of HK$1.08 per Conversion Share represents:

(i) a premium of approximately 2% over the closing price of HK$1.06 per Share as quoted on the Stock Exchange on Last Trading Day;

(ii) a premium of approximately 2% over the average closing price of HK$1.06 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) the average closing price of HK$1.08 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the parties, with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions.

Adjustment events : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, including but not limited to the followings:

(i) consolidation or subdivision of Shares;

(ii) capitalisation of profits or reserves;

(iii) capital distribution;

(iv) offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price per Share to Shareholders;

(v) issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share receivable is less than 90% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 90% of such market price; and

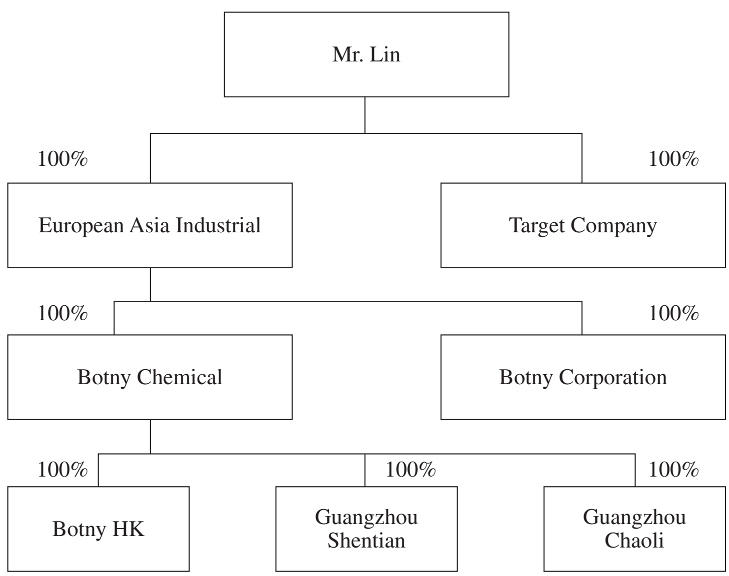
(vi) issue of Shares being made wholly for cash or for acquisition of assets at a price less than 90% of the market price per Share.

Conversion Shares	:	Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Note in the aggregate principal amount of HK$780,000,000 at the Conversion Price by the Noteholder, the Company will allot and issue an aggregate of 722,222,222 new Shares, representing approximately (i) 180.6% of the existing issued share capital of the Company, and (ii) 64.4% of the issued share capital of the Company as enlarged by the exercise in full of the conversion rights attaching to the Convertible Note. The Conversion Shares will be issued pursuant to the Specific Mandate to be sought at the EGM.
Conversion Period	:	The period commencing from the date of issue of the Convertible Note and ending on the Maturity Date.
Redemption	:	The Company cannot redeem the Convertible Note or part thereof at any time on or before the Maturity Date.
Ranking	:	The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares.
Status of the Convertible Note	:	The Convertible Note constitutes a direct, unconditional, unsubordinated and unsecured obligation of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

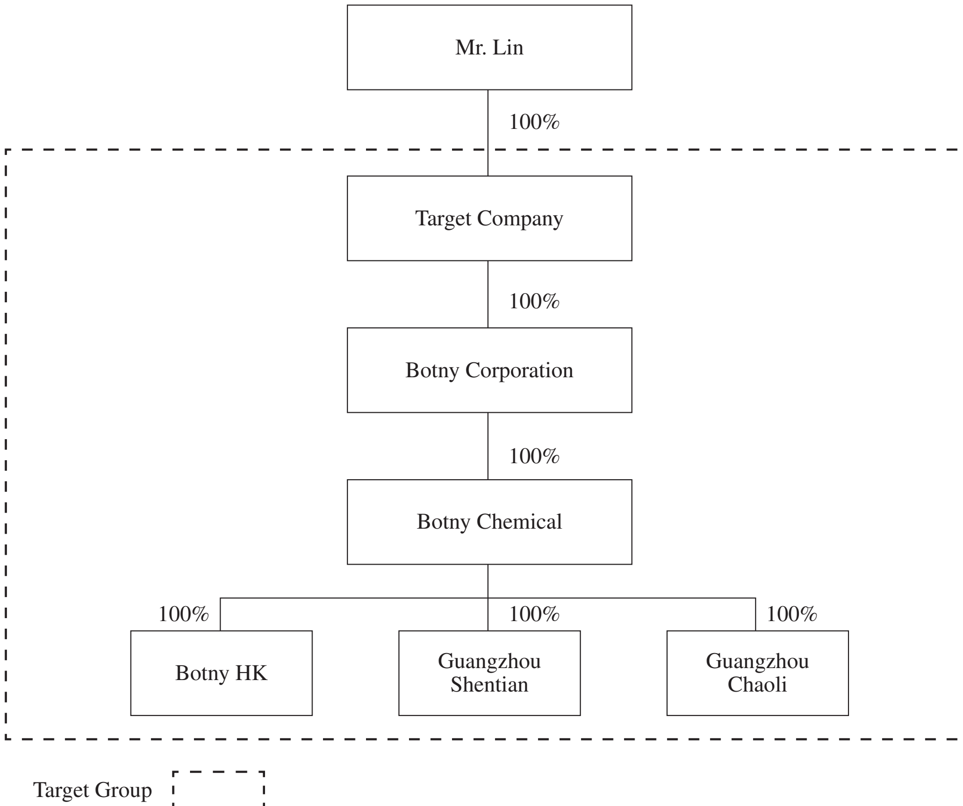
Voting rights	:	The Convertible Note does not confer any voting rights at any meetings of the Company.
Transferability	:	The Convertible Note may be transferred to any person with the Company's consent provided that such transfer shall comply with the Listing Rules and relevant laws and regulations.
Application for listing	:	No application will be made by the Company for the listing of the Convertible Note. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Shareholding Structure of the Target Group before and after Restructuring

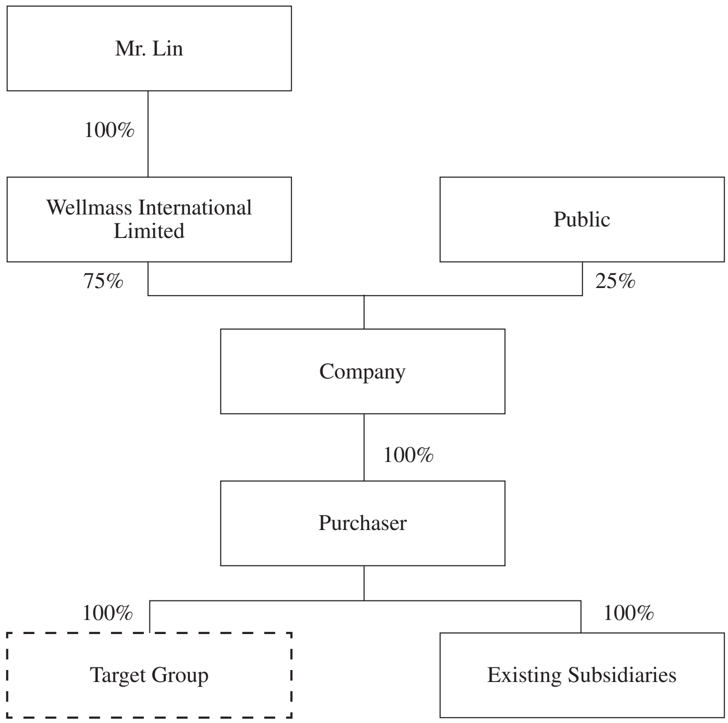
The following diagram shows the shareholding and corporate structure of the Target Group before restructuring:



The following diagram shows the shareholding and corporate structure of the Target Group after restructuring:



The following diagram shows the simplified shareholding and corporate structure of the Enlarged Group after Completion:



Upon Completion, the Target Group will become subsidiaries of the Company.

Information on the Target Group

The Target Group comprises the Target Company, Botny Corporation, Botny Chemical, Botny HK, Guangzhou Chaoli and Guangzhou Shentian.

Target Company

The Target Company is a limited liability company incorporated under the laws of the BVI on 3 July 2012. It has an issued share capital of US$1 divided into 1 share of US$1 each (i.e. the Sale Share). The Target Company is an investment holding company, holds five wholly owned subsidiaries after restructuring, namely Botny Corporation, Botny Chemical, Botny HK, Guangzhou Chaoli and Guangzhou Shentian, and has no significant operations.

Botny Corporation

Botny Corporation is a limited liability company incorporated under the laws of Hong Kong on 3 June 2013, and a direct wholly owned subsidiary of the Target Company. It is an investment holding company.

Botny Chemical

The principal operating subsidiary of the Target Group, Botny Chemical, was founded by Mr. Lin. It is a limited liability company established under the laws of the PRC on 30 August 2000. It has a registered capital of US$1.4 million and is principally engaged in the content filling of aerosol cans, and production and sale of aerosol products and non-aerosol products. Botny Chemical has been sourcing aluminum aerosol cans from the Group as packaging materials for its customers and its own products. As disclosed in the Prospectus, Euro Asia Packaging (a subsidiary of the Group) and Botny Chemical entered into the Botny Chemical Agreement, pursuant to which Euro Asia Packaging agreed to supply to Botny Chemical aluminum aerosol cans for the term commencing from the Listing Date (i.e. 12 July 2013) until 31 December 2015, subject to early termination as provided in the agreement. The transactions contemplated under the Botny Chemical Agreement constitute continuing connected transactions of the Company. The total sales by the Group to Botny Chemical amounted to approximately HK$3.9 million for the year ended 31 December 2013. For further details of the Botny Chemical Agreement, please refer to the section headed "Continuing Connected Transactions" of the Prospectus. Upon Completion, the Target Group Companies will become subsidiaries of the Company, and the transactions contemplated under the Botny Chemical Agreement will cease to be connected transactions of the Company.

Products sold by Botny Chemical

The products produced and sold by Botny Chemical can be identified in two major category, aerosol products and non-aerosol products which represent approximately 80% and 20% of the Target Group's revenue, respectively. The products produced and sold by Botny Chemical are mainly applied in car care services. These products are primarily sold under the brand names of "BOTNY", "ATM", "NISSEI", "PiSCiS", "PARLUX", "Etoman", "Fox-D" and "Win". The trademarks of these brands are owned by Botny Chemical, except for the trademarks of "Fox-D" and "Win" which are owned by China Motor Management, please refer to the section headed "Trademark License Agreement" for further details.

The nature of aerosol products produced and sold by Botny Chemical 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.

The nature of the non-aerosol products produced and sold by Botny Chemical include heat insulation coating, leather protecting and polishing agent, wax, multi-purpose cleaner, paint remover, retarder and formaldehyde scavenger.

The car care service products sold by Botny Chemical are considered high-end due to (i) the branding of its product been well-known in the PRC; and (ii) the quality of its products are known to be better than its competitors, as such Botny Chemical prices its products higher than the average market price for similar items.

Botny Chemical Production Process

Aerosol products are produced in the following five major processes:

(i) Preparation of concentrates (contents); chemical compounds and other materials such as deionised water and alcohol, are put into reaction containers at controlled temperatures and with stirring throughout until the desired chemical reaction.

(ii) Concentrate (content) filling; concentrate are then filled into aerosol cans by filling machines.

(iii) Fitting the valve and dip-tube to the aerosol can; the valve and dip-tube are fitted to the aerosol can, which is then vacuumised. After vacuumisation, the valve is then crimped to the aerosol can.

(iv) Filling in the propellant; propellant filling machines are used to inject propellants into the aerosol cans.

(v) Installing plastic components; plastic components, such as the actuator and the overcap lid, will be installed or fitted to the aerosol can to form a complete aerosol product.

The production process of non-aerosol products are the same as above, except for (a) instead of aerosol cans, the concentrates are filled into plastic or metal containers; and (b) steps (iii) and (iv) above are not required for non-aerosol products.

Customer base

The products of Botny Chemical are primarily sold through distributors. The Target Group currently has over 1,000 distributors across the PRC.

Botny HK

Botny HK is a limited liability company incorporated under the laws of Hong Kong on 9 June 2010, and an indirect wholly owned subsidiary of the Target Company. It is principally engaged in the trading of both aerosol and non-aerosol products produced by Botny Chemical.

Guangzhou Shentian

Guangzhou Shentian is a limited liability company incorporated under the laws of PRC on 5 May 2014, and an indirect wholly owned subsidiary of the Target Company. It is an investment holding company.

Guangzhou Chaoli

Guangzhou Chaoli is a limited liability company incorporated under the laws of PRC on 18 July 2014, and an indirect wholly owned subsidiary of the Target Company. It is an investment holding company.

Financial Information of the Target Group

Set out below is the unaudited financial information of the Target Group for each of the two financial years ended 31 December 2013:

	For the year ended 31 December 2012 *HKD'000*	**Profit Margin** *%*	**For the year ended 31 December 2013** *HKD'000*	**Profit Margin** *%*
Turnover	516,938		523,464	
Net Profits before taxation	51,998	10.1	71,161	13.6
Net Profits after taxation	44,182	8.5	60,663	11.6

	As at 31 December 2012 *HKD'000*	**As at 31 December 2013** *HKD'000*
Total assets	206,587	249,365
Total liabilities	181,486	161,906
Net assets	25,101	87,459

Reasons for the Acquisition

Introduction

The Group is 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.

Aerosol cans are usually made of aluminum or tinplate. Aluminum aerosol cans possess features such as light weight, high recyclability and corrosion resistance as well as relatively high flexibility which allow them to be manufactured in easy-to-grip shapes for convenient content dispensing. Besides, they are perceived to be more pleasing by consumers as compared to containers made of tinplate. Therefore, aluminum aerosol cans are commonly used in the packaging of higher value consumer products, although their costs are usually higher than tinplate aerosol cans.

Change of economic environment

Despite the fact that our aerosol cans can be used in the packaging of high value consumer products, there is not much substantial growth in the profit margin of the Group as a result of the limitation in the business model of the Group which has been focused in supplying aerosol cans for its customers, who are engaged in the production of high value consumer products and demand for cost reduction of our aerosol can products.

The result of the Group for the first half of 2014 was further affected due to the fierce competition in the aluminum aerosol cans market arising from relatively small scale manufacturers of aerosol cans at overseas and the continuous slowdown in the demand of high value consumer products in PRC during 2014. The Group intended to focus on the development and expansion of its principal business in manufacturing aluminum aerosol cans upon listing on 12 July 2013 and had no intention in acquiring the Target Group at the time of listing. In view of the change of the economic environment in PRC and overseas, the Board, based on the experience of our current management team and after the assessment of the aerosol can industry, believes that recovery of the profitability of the Group may not be feasible in the short term. The Board is also of the view that a vertical integration strategy should allow the Group to capture downstream profit margins by gaining access to downstream distribution channels.

Reasons for acquiring the Target Group

The Target Group is principally engaged in the content filling of aerosol cans, and production and sale of aerosol and non-aerosol products. One of their primary focus is to develop high-end car care service products. With the Acquisition, our Group will be able to directly supply aluminum aerosol cans for the packaging of such high-end car care service products and the products of the Group will be able to enter into the consumer markets under the Group's brand name. Profitability of the aerosol cans of the Group can be guaranteed and the Target Group could ensure stable supply of high quality aerosol cans when developing the segment of high-end car care service products. As such, the Acquisition will create win-win situation for both the Group and the Target Group.

Having taken into account the business model and financial performance of the Target Group as disclosed in the paragraph headed "Information on the Target Group", the Board believes that the Acquisition would further enhance the profitability of the Group given the track record of the Target Group. The Directors are of the view that the acquisition of the controlling interests in the Target Company will maximise the future revenue contribution to the Group by vertically integrating with the Target Group.

In light of the above, the Directors (excluding the independent non-executive Directors who will render their opinion after reviewing the letter of advice from the independent financial adviser of the Company) consider that the terms of the Acquisition Agreement including the Consideration are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Industry Overview

CRI

We have commissioned CRI, an independent market research company based in the PRC, to analyse and report on the aerosol industry. CRI's services cover market research, company research, country reports and industry data sheets. Apart from regularly producing its off-the-shelf reports covering 11 industries which users can purchase on-line from its website, CRI is experienced in providing customised research services.

Aerosol industry

The PRC is the third largest aerosol producing region after Europe and the USA. The PRC production of aerosol products increased from approximately 1,126 million cans in 2009 to approximately 1,660 million cans in 2013. The PRC annual production of aerosol products is expected to be more than approximately 2,501 million cans in 2018, representing a CAGR of approximately 8.8% from 2014 to 2018, which is mainly attributable to the rapid development of the PRC, increase in the general disposable income of the PRC population and increase in consumption of aerosol products.

The table below sets out the historical and estimated annual aerosol production in the PRC:

Year	**Cans (million)**	**Growth Rate**
2009	1,126	11.3%
2010	1,172	4.1%
2011	1,367	16.6%
2012	1,554	13.7%
2013	1,660	6.8%
2014 (Estimated)	1,786	7.6%
2015 (Estimated)	1,936	8.4%
2016 (Estimated)	2,103	8.6%
2017 (Estimated)	2,291	8.9%
2018 (Estimated)	2,501	9.2%

Source: CRI Report

Present Intention

The Company does not have any (i) present intention to change the composition of the Board and senior management of the Company; (ii) present intention to make any change to the Company's shareholding structure; and (iii) arrangement, agreement, understanding, negotiation (concluded or otherwise) on (a) any disposal, termination or scaling down of the Group's existing businesses; or (b) injection of any other new business to the Group apart from the Acquisition.

Given that the Company intends to retain the existing management team of the Target Group after the Completion and one of the executive Directors, Mr. Lin, has relevant experience in the business of content filling of aerosol cans as he was the founder of Botny Chemical, the Company does not expect that there will be any interruption to the operations of the Target Group after the Completion. The Company will consider recruiting candidates who possess the relevant industry experience to supplement the existing management of the Target Group when necessary.

Effect of the Acquisition on the Shareholding Structure

As at the date of this announcement, the Company has 400 million Shares in issue. The following table sets forth the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue of the Placing Shares; and (iii) immediately after the issue of the Conversion Shares after Completion Date):

Name of Shareholders	(i) As at the date of this announcement		(ii) Immediately after the fulfillment of condition precedent (j) *(Note 1)*		(iii) Immediately after the fulfillment of condition precedent (j) and issue of Conversion Shares *(Note 2)*		(iv) Immediately after the fulfillment of condition precedent (j), issue of Conversion Shares and the satisfaction of conversion restriction *(Note 3)*	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Mr. Lin	300,000,000	75.00%	300,000,000	58.7%	1,022,222,222	82.9%	633,333,333	75.0%
Independent Shareholders:								
— Existing Independent Shareholders	100,000,000	25.00%	100,000,000	19.6%	100,000,000	8.1%	100,000,000	11.8%
— Placees	—	—	111,111,111	21.7%	111,111,111	9.0%	111,111,111	13.2%
Subtotal Independent Shareholders	100,000,000	25.00%	211,111,111	41.3%	211,111,111	17.1%	211,111,111	25.0%
Total	400,000,000	100.00%	511,111,111	100.0%	1,233,333,333	100.0%	844,444,444	100.0%

Note 1: This column illustrates the shareholding interest of the Shareholders on the assumption that HK$120 million has been raised, in fulfillment of condition precedent (j) at the assumed placing price of HK$1.08.

Note 2: This column illustrates the shareholding interest of the Shareholders on the assumption that (i) HK$120 million has been raised, in fulfillment of condition precedent (j) at the assumed placing price of HK$1.08; and (ii) the issue of Conversion Shares.

Note 3: This column illustrates the shareholding interest of the Shareholders on the assumption that (i) HK$120 million has been raised, in fulfillment of condition precedent (j) at the assumed placing price of HK$1.08; (ii) the issue of Conversion Shares; and (iii) the satisfaction of conversion restrictions under the terms and conditions of the Convertible Note, no conversion right may be exercised to the extent that (a) the Noteholder and parties acting in concert with it are under an obligation to make a mandatory offer under the Takeovers Code; and (b) less than 25% or the minimum prescribed percentage as set out in the Listing Rules of the Company's issued shares would be held by the public.

Business Delineation and Non-competition Undertaking

The business focus of Euro Asia Aerosol is different from those of the Target Group. Euro Asia Aerosol, with the license for the production of cosmetic products, is only engaged in the content filling of aerosol cans for cosmetic products whereas Botny Chemical is primarily engaged in the content filling of aerosol cans and production and sale of aerosol products for car care services since its incorporation. The Target Company and Mr. Lin confirms that Botny Chemical has never been involved in the production of aerosol cans for cosmetic products as it does not have the license to produce cosmetic products. Botny Chemical has no intention and will not apply for the license for the production of cosmetic products.

Notwithstanding Euro Asia Aerosol and Botny Chemical are in the same industry of content filling of aerosol cans, the products of Euro Asia Aerosol are totally different from that of Botny Chemical, Mr. Lin and/or his associates are of the view and will undertake that Euro Asia Aerosol will not directly or indirectly carry on, engage or otherwise be interested in any business which may be in competition with the business to be carried on by the Enlarged Group upon Completion.

In addition, Euro Asia Aerosol had been loss making in the past years as such the Board believe it is not in the best interest of the Company or its Shareholders to acquire Euro Asia Aerosol.

Mr. Lin had confirmed that there are no companies which he and/or his associates directly or indirectly carry on, engage or otherwise be interested which may be in competition with the business to be carried on by the Enlarged Group upon Completion.

The Board is of the view that Mr. Lin can comply with the non-competition undertaking with the Company according to the Prospectus due to the following reasons:

(a) There is clear business delineation between Euro Asia Aerosol and the Enlarged Group upon Completion. Euro Asia Aerosol, with the license for the production of cosmetic products, is only engaged in the production of cosmetic products since its inception. The Enlarged Group, upon Completion, will primarily focus on the production of aerosol cans and sale of car care service and maintenance products.

(b) There is no overlapping of the target market.

(c) Mr. Lin and/or his associates undertake(s) and covenants(s) with the Company that Euro Asia Aerosol will not directly or indirectly carry on, engage or otherwise be interested in any business which may be in competition with the business to be carried on by the Enlarged Group upon Completion.

Implications under the Listing Rules

As all applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition pursuant to Rule 14.06(5) of the Listing Rules and a connected transaction of the Company pursuant to Rule 14A.25 of the Listing Rules by reason of the Vendor, being Mr. Lin, an executive Director, the chairman and a controlling shareholder of the Company. The Acquisition Agreement and the transactions contemplated therein are therefore subject to the approval by Independent Shareholders at the EGM by poll. Mr. Lin and his associates shall abstain from voting at the EGM. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, apart from Mr. Lin and his associates, which are interested in 75% of the issued share capital of the Company, no other

Shareholder has a material interest in the Acquisition which is different from the other Shareholders, and is required to abstain from voting in respect of the Acquisition in the EGM under the Listing Rules.

(II) PROPOSED GRANT OF SPECIFIC MANDATE

As the Cash Consideration will be funded by the issue of the Placing Shares and part of the consideration for the Acquisition will be satisfied by way of the Company issuing the Convertible Notes, the Company will seek the grant of Specific Mandate from the Shareholders to allot and issue the Placing Shares and the Conversion Shares upon conversion of the Convertible Notes, which form part of the consideration for the Acquisition.

In any event, (i) the Placing Shares shall not be more than 30% of the Company's existing issued Shares; (ii) the issue price of the Placing Shares shall not be less than the higher of (a) HK$1.08; and (b) the average market price of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the signing of the placing agreement. The Company estimated that in order to negotiate and conclude the placing agreement and given the timetable for the Acquisition, the Specific Mandate will be for a period of three months after approval is obtained from the Independent Shareholders at the EGM.

No listing of the Convertible Note will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon the conversion of the Convertible Note.

(III) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

As at the date of this announcement, the Company has an unissued authorised share capital of HK$3,800,000 whereby 380,000,000 ordinary Shares of HK$0.01 each can be issued. For the purpose of the proposed issue of the Conversion Shares to settle part of the Consideration under the Acquisition Agreement, the Board proposes to increase the authorised share capital of the Company from HK$7,800,000 (which is currently divided into 780,000,000 ordinary Shares of HK$0.01 each) to HK$15,000,000 divided into 1,500,000,000 ordinary Shares of HK$0.01 each.

The proposed increase of the authorised share capital of the Company is subject to, and shall take effect upon, the passing of an ordinary resolution by the Independent Shareholders at the EGM. Further details of the proposed increase of the authorised share capital of the Company will be set out in the circular to be despatched to the Shareholders.

(IV) CONTINUING CONNECTED TRANSACTIONS

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group after Completion. As such, the below Supply Agreement, Trademark License Agreement and Equipment Leasing Agreement will constitute continuing connected transactions for the Company and further details of the agreement are set out below.

1. THE SUPPLY AGREEMENT AND THE TRADEMARK LICENSE AGREEMENT

(A) The Supply Agreement

Date:

3 October 2014

Parties:

Seller:	Botny Chemical, a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company, which will become a subsidiary of the Company upon Completion; and
Buyer:	China Motor Services, a company beneficially owned by Mr. Lin.

China Motor Services entered into the Supply Agreement for itself and on behalf of its subsidiaries.

Principal terms of the Supply Agreement

Background

Pursuant to the Supply Agreement, Botny Chemical agrees to supply to China Motor Services Group and China Motor Services Group agrees to purchase from Botny Chemical car care service products (including car refrigerants, paint remover, spray paint, wax, air fragrance, multi-purpose foam cleaner, carburetor cleaner, anti-rust lubricating spray and furniture polisher) from the Completion Date (being the date on which Botny Chemical becomes a subsidiary of the Company) to 31 December 2016, which can be renewed after expiry on mutual agreement subject to compliance with the Listing Rules requirements.

Selling price

The selling price and payment terms of the products are to be separately negotiated for each purchase order by the parties. Based on the costs of the products, together with the logistic costs, taxes, insurance and other relevant costs, plus a profit margin of the products which is subject to periodic review, China Motor Services Group will calculate a price quotation for the order. Depending on the type of product sold, Botny Chemical expects an average profit margin of approximately 10%. The price quotation is subject to a number of factors, particularly (i) the expected profit margin of the car care service products; (ii) the selling price of the products by Botny Chemical to independent customers; and (iii) the selling price of the same or comparable products in the market.

Payment terms

The payment terms will be arrived at after arm's length negotiation between the parties and Botny Chemical and based on normal commercial terms, but in any event, the prices and the terms will be no more favourable to China Motor Services Group than terms available to independent third party customers who usually entitle to a credit period ranging from 0 to 90 days.

Periodic review

The periodic review will be carried out every quarter which will be reviewed by the chief financial officer and approved by the chief executive officer of the Group. The Board believes that the periodic review and control procedures will help ensure the continuing connected transactions to be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority shareholders.

The Directors (including the independent non-executive Directors) are of the view that the selling price and payment terms are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

Annual caps

Pursuant to the Supply Agreement, the total consideration for the sales of aerosol products by Botny Chemical to China Motor Services Group (including any of its affiliates) for each of the three financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 shall not exceed HK$50,000, HK$2 million and HK$4 million respectively.

Basis for determining the annual caps

The Company estimates that the annual caps for the continuing connected transactions under the Supply Agreement for the year ending 31 December 2014, 31 December 2015 and 31 December 2016 shall not exceed HK$50,000, HK$2 million and HK$4 million respectively. The annual caps are determined by reference to a number of factors, particularly (i) the expected demand of aerosol products by the buyer with reference to the demand of the vehicle polish and maintenance services of the market in general; (ii) the projected selling prices of the aerosol products after taking into account the market prices of the same or comparable products; and (iii) the historical transaction amounts.

The historical amounts of the sales made to China Motor Services Group by Botny Chemical for the year ended 31 December 2013 and eight months ended 31 August 2014 were:

	Historical Transaction Amounts		Annual Caps		
	For the year ended 31 December 2013	For the eight months ended 31 August 2014	For the year ending 31 December 2014	2015	2016
Sales to China Motor Services Group (HK$'000)	39	22	50	2,000	4,000
Number of car care service centers	3	4	4	100	150

As at the date of this announcement, China Motor Services Group had 4 car care and services center in the PRC and Hong Kong. Based on the discussion with management of China Motor Services Group and their estimate, approximately 100 and 150 car care and services centers will be opened by 2015 and 2016, respectively. China Motor Services Group had only begun operating in car care and services center since 2013. China Motor Services Group believes that an increase in the general disposable income in the population of China and the increase in the number of cars will increase the demand for car care services. China Motor Services Group plans to increase in the number of car care service center through the method of franchising. As such, there is a substantial increase in annual cap for each of the year ended 31 December 2015 and 2016.

Reasons for and benefits of the Supply Agreement

Botny Chemical is principally engaged in the content filling of aerosol cans, and production and sale of aerosol products.

China Motor Services Group is engaged in the provision of car care services. Accordingly, Botny Chemical and China Motor Services Group entered into the Supply Agreement setting out the terms and details for the sales of aerosol products by Botny Chemical to China Motor Services Group.

The Supply Agreement can secure China Motor Services as a customer of Bonty Chemical, which will help the Enlarged Group maintain a good source of income and promote the Bonty Chemical's brand name by using aerosol products for the use in car care services.

The terms of the Supply Agreement were arrived at after arm's length negotiations between Botny Chemical and China Motor Services Group with reference to the market terms and price of similar transactions.

The Directors, including the independent non-executive Directors, consider that the transactions contemplated under the Supply Agreement are in the ordinary and usual course of business of the Group and the terms of the Supply Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(B) Trademark License Agreement

Date:

3 October 2014

Parties:

Licensor:	China Motor Management, an indirect wholly-owned subsidiary of China Motor Services, a company beneficially owned by Mr. Lin; and
Licensee:	Botny Chemical, a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company, which will become a subsidiary of the Company upon Completion.

Principal terms of the Trademark License Agreement

Background

Pursuant to the Trademark License Agreement, Botny Chemical agrees to lease from China Motor Management and China Motor Management agrees to lease to Botny Chemical the use of the twelve trademarks from the Completion Date (being the date on which Botny Chemical becomes a subsidiary of the Company) to 31 December 2016 which can be renewed after expiry on mutual agreement subject to the compliance with the Listing Rules requirements.

Twelve trademarks

The twelve trademarks are used for the production of products under two brand names, namely "FOX-D" and "WIN". The products produced under these two brands include aerosol spray paint, paint remover, floor wax, rust lubricating spray and furniture polish. Certain of these products are the same as those under the Supply Agreement.

Below are the details of the twelve trademarks as extracted from their respective trademark certificates:

Number	Trademark registration number	Class number	Trademark specification
1	737074	2	Fluorescent paint, paint, enamel, spray paint, thinner, paint, varnishes, paint remover, coatings, rust inhibitor
2	696361	2	Paint, fire-resistant paint, anti-rust paint, mastic, thinner, paint remover, rust inhibitor, varnishes, coatings, spray paint
3	696433	3	Washing-up liquid, glass cleaner, floor wax, car polishing wax, leather wax, motorcycle polishing wax
4	704187	2	Rust inhibitor, paint, thinner, mastic (putty), rust inhibitor, paint remover, varnishes, coatings, spray paint, fire-resistant paint (emulsion paint)
5	6335110	2	Paint, coatings, varnishes, thinner, anti-rust paint, emulsion paint, rust inhibitor
6	746001	2	Paint, emulsion paint, anti-rust paint, mastic, thinner, rust inhibitor, varnishes, coatings, spray paint
7	6335111	2	Paint, coatings, varnishes, thinner, anti-rust paint, emulsion paint, rust inhibitor
8	5829586	2	Paint, coatings, varnishes, emulsion paint, mastic, anti-rust paint, thinner, paint, anti-rust oil
9	6335113	3	Glass cleaner, oil-sear remover, cleaning preparation, adhesive cleaner, polishing agent, leather protective agent (polishing), leather wax, polishing agent for furniture and flooring, polishing wax, finishing material
10	6335114	4	Leather preservatives (oil and grease), lubricants, driving belt anti-skid agent, lubricants, non-chemical additives for motor-fuel, wax (raw material), industrial wax, paraffin wax, binding material for dust sweeping, binding agent for dust removal

Number	Trademark registration number	Class number	Trademark specification
11	6335122	1	Dry ice (carbon dioxide), gases (solidified) for industrial purposes, brake fluid, chemical agents for engine decarbonisation, antifreeze, plastic removal agent, chemical condensing agents, mold discharging agent, refrigerant, chemicals treatment for leather surface
12	606490	2	Paint, coatings, spray paint, rust inhibitor paint remover, enamel, varnishes

Royalty fee

Under the Trademark License Agreement, Botny Chemical shall pay a royalty fee to China Motor Management which is equivalent to 2.5% on the net sales price of all products sold in relation to the twelve trademarks. The said net sales price is the sales prices of the products less sales rebate, value added tax, stamp duty and other government related fees, marketing and advertising expenses, transportation costs and after-sales services costs.

The royalty fee is determined after arm's length negotiations between Botny Chemical and China Motor Management after taking into account (i) the reputation of the twelve trademarks; (ii) both the historical and projected sales volumes, sales prices and market share; and (iii) the 25% rule which is a common technique for determining royalties. The 25% rule stipulates that a party selling a product based on another party's intellectual property must pay that party a royalty of 25% of the gross profit made from the sale, before taxes. The historical earnings before income tax of these two brands had been approximately 11%, therefore 2.5% on the net sales price of the products derived from the twelve trademarks was agreed as the royalty fee by both parties.

The royalty fee is to be made in arrears on or before 31 March each succeeding year until the expiry or earlier termination of the Trademark License Agreement.

The Directors (including the independent non-executive Directors) are of the view that the royalty fee is fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

Annual caps

Pursuant to the Trademark License Agreement, the total royalty fee to be paid by Botny Chemical to China Motor Management for each of the three financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 shall not exceed HK$0.1 million, HK$0.5 million and HK$0.6 million. The annual cap for the year ended 31 December 2014 is relatively low as there only remains approximately three months in 2014 and no royalty fees will be charged for any sales made prior to the signing of the Trademark License Agreement.

Basis for determining the annual caps

The Company estimates that the annual caps for the continuing connected transactions under the Trademark License Agreement for each of the three financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 shall not exceed HK$0.1 million, HK$0.5 million and HK$0.6 million. Such cap has been determined with reference to (i) the historical sales volume, sales prices and market shares of aerosol products; and (ii) the projected sales volume and sales prices of aerosol products during the effective period of the Trademark License Agreement.

The historical amounts of sales made in relation to the products sold under the twelve trademarks by Botny Chemical for the three years ended 31 December 2013 were:

	Historical Transaction Amounts				Annual Caps		
	For the year ended 31 December			For the eight months ended 31 August	For the year ending 31 December		
	2011	2012	2013	2014	2014	2015	2016
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Sales related to the twelve trademarks	13,774	13,915	14,459	10,214			
Royalty fee of 2.5% *(note)*	344	348	361	255	100	500	600

Note: *No royalty fee was paid for the three years ended 31 December 2013 and eight months ended 31 August 2014, the amount of royalty fee shown above for the corresponding period is notional royalty fee for illustration purpose. The royalty fee is payable only from the date of the Trademark License Agreement.*

Although the sales related to the twelve trademarks had been generally low for the past three years as compared to the annual caps, the Company expects a steady growth in the recognition of the two brands related to the twelve trademarks and an increase in customer base.

Reasons for and benefits of the Trademark License Agreement

The sales of the twelve trademark products will help the Enlarged Group to maintain a good source of income. The terms of the Trademark License Agreement were arrived at after arm's length negotiations between Botny Chemical and China Motor Management with reference to the market terms and price of similar transactions.

In view of the minimal revenue contribution, 2.8% of the Target Group's total revenue, the Directors consider that it is not in the interest of the Company to purchase the twelve trademarks from Mr. Lin. The Directors, including the independent non-executive Directors, consider that the transactions contemplated under the Trademark License Agreement are in the ordinary and usual course of business of the Group and the terms of the Trademark License Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

China Motor Management is an indirect wholly owned subsidiary of China Motor Services and certain products sold under the Supply Agreement are the same products referred to under the Trademark License Agreement. As such, aggregations of these transactions are necessary for consideration of the relevant percentage ratios under the Listing Rules.

The Supply Agreement, the Trademark License Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules by reason of China Motor Services Limited and China Motor Management being connected persons of the Company, as they are beneficially owned by Mr. Lin, an executive Director, the chairman and a controlling shareholder of the Company. The Company does not hold any shares in China Motor Services Group and vice versa as at the date of this announcement.

As Mr. Lin has a material interest in the transactions under the Supply Agreement and the Trademark License Agreement, Mr. Lin has abstained from voting on the relevant board resolution approving the both the Supply Agreement and the Trademark License Agreement.

The relevant percentage ratios under the Listing Rules for the aggregated annual caps of the Supply Agreement and Trademark License Agreement are, on an annual basis, less than 5%. Accordingly, pursuant to Rule 14A.76(2) of the Listing Rules, the Supply Agreement and Trademark License Agreement are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements.

2. EQUIPMENT LEASING AGREEMENT

Date:

3 October 2014

Parties:

Lessor:	Botny Chemical, a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company, which will become a subsidiary of the Company upon Completion; and
Lessee:	Euro Asia Aerosol, a company beneficially owned by Mr. Lin.

Principal terms of the Equipment Leasing Agreement

Background

Pursuant to the Equipment Leasing Agreement, Botny Chemical agrees to lease to Euro Asia Aerosol and Euro Asia Aerosol agrees to lease from Botny Chemical the use of certain production equipment from the Completion Date (being the date on which Botny Chemical becomes a subsidiary of the Company) to 31 December 2016, which can be renewed after expiry on mutual agreement subject to compliance with the Listing Rules requirements.

Euro Asia Aerosol shall pay to Botny Chemical an annual rental fee of HK$2.0 million for the use of certain production equipment for each of the year ending 31 December 2014, 2015 and 2016, respectively.

Production equipment

The production equipment as agreed under the Equipment Leasing Agreement includes automatic unscramble, automatic four nozzles material feeder, automatic plug-valve machine, automatic sealing inflator, automatic water-bath detection device, automatic capper, coding band and automatic inkjet printer with total net book value of approximately HK$1.2 million and estimated depreciation of approximately HK$250,000 per year.

Rental fee

The annual rental fee, which is the annual cap, was arrived at after arm's length negotiation between Euro Asia Aerosol and Botny Chemical and with reference to a number of factors, particularly (i) the estimated depreciation of the equipment; (ii) the net book value of the equipment; and (iii) projected sale and profit of the aerosol products which represents the opportunity cost foregone from the decrease in production by Botny Chemical from the use of the equipments.

The annual rental fee shall be paid in four equal quarterly installments. Euro Asia Aerosol shall pay the first quarterly rental within 10 days after the signing of the Equipment Leasing Agreement.

The Directors (including the independent non-executive Directors) are of the view that the rental fee is fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

Reasons for and benefits of the Equipment Leasing Agreement

Botny Chemical is principally engaged in the content filling of aerosol cans, and production and sale of aerosol products. Euro Asia Aerosol is also engaged in the content filling of aerosol cans, however only in the capacity of cosmetic products which Botny Chemical does not have such license. Under the relevant laws and regulations of the PRC, to produce cosmetic product the Company require both the production license for industrial products* (全國工業產品生產許可證) and the cosmetic hygiene license* (化妝品生業企業衛生許可證). Botny Chemical does not have the cosmetic hygiene license and does not meet the relevant requirements to apply for the license.

The Enlarged Group will receive rental income from the leasing of equipment to Euro Asia Aerosol. The terms of the Equipment Leasing Agreement were arrived at after arm's length negotiations between Botny Chemical and Euro Asia Aerosol with reference to the market terms and price of similar transactions.

The Directors, including the independent non-executive Directors, consider that the transactions contemplated under the Equipment Leasing Agreement are in the ordinary and usual course of business of the Group and the terms of the Equipment Leasing Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

The Equipment Leasing Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Rule 14A.13(1) of the Listing Rules by reason of Euro Asia Aerosol being a connected person of the Company, as it is beneficially owned by Mr. Lin, an executive Director, the chairman and a controlling shareholder of the Company. The Company does not hold any shares in Euro Asia Aerosol and vice versa as at the date of this announcement.

As Mr. Lin has a material interest in the transactions under the Equipment Leasing Agreement, Mr. Lin has abstained from voting on the relevant board resolution approving the Equipment Leasing Agreement.

The relevant percentage ratios under the Listing Rules for the annual caps are, on an annual basis, less than 5% and the total consideration is less than HK$3 million. Accordingly, the Equipment Leasing Agreement, pursuant to Rule 14A.76(1) of the Listing Rules, is fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

GENERAL

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Acquisition. None of the members of the Independent Board Committee has any material interest in the Acquisition. An independent financial adviser, Nuada Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Acquisition contemplated under the Acquisition Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Acquisition Agreement, proposed grant of Specific Mandate and proposed increase of the authorised share capital of the Company; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) financial and other information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report; (vii) the notice of EGM; (viii) the proposed increase in the authorised share capital of the Company; (ix) the proposed grant of Specific Mandate; (x) such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 November 2014.

Shareholders and potential investors should note that completion of the Acquisition Agreement is subject to the fulfillment or waiver the conditions precedent (as the case may be) and completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Share by the Purchaser pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement entered into between the Purchaser and the Vendor on 3 October 2014 in relation to the Acquisition
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Botny Chemical"	Guangzhou Botny Chemical Co., Ltd. (廣州保賜利化工有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly owned subsidiary of the Target Company

"Botny Chemical Agreement"	the master agreement entered into between Euro Asia Packaging and Botny Chemical on 20 June 2013 in relation to the sale by the Group to Botny Chemical of aluminum aerosol cans
"Botny Corporation"	Botny Corporation Limited, a company incorporated under the laws of Hong Kong with limited liability and a direct wholly owned subsidiary of the Target Company
"Botny HK"	Botny HongKong Co., Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Target Company
"Business Day(s)"	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
"BVI"	British Virgin Islands
"CAGR"	compound annual growth rate
"Cash Consideration"	the portion of the Consideration to be satisfied in cash
"China Motor Management"	China Motor Management Services Limited, a company established under the laws of Hong Kong with limited liability and beneficially owned by Mr. Lin
"China Motor Services"	China Motor Services Limited, a company established under the laws of the BVI with limited liability and beneficially owned by Mr. Lin
"China Motor Services Group"	China Motor Services Limited and its subsidiaries
"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)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Completion Date"	the 3rd Business Days after the conditions precedent have been fulfilled or waived (or such other date as the Vendor and the Purchaser may agree)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consideration"	the aggregate consideration of HK$900 million for the Acquisition
"Conversion Period"	the period commencing from the date of issue of the Convertible Note and ending on the Maturity Date
"Conversion Price"	HK$1.08, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Note
"Conversion Share(s)"	the new Share(s) to be allotted and issued upon the exercise of the conversion rights in respect of the Convertible Note
"Convertible Note"	the convertible note in the principal amount of HK$780,000,000 to be issued by the Company to the Vendor at Completion pursuant to the Acquisition Agreement
"CRI"	China Research and Intelligence Co., Ltd., (上海元哲信息諮詢有限公司) a market research and consulting company, an independent third party
"CRI Report"	a market research report dated 3 October 2014 issued by CRI in relation to the aerosol industry
"Deposit"	the deposit of HK$20 million shall be paid by the Purchaser to the Vendor within 5 Business Days upon entering into the Acquisition Agreement
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held to approve, inter alia, the Acquisition Agreement and the transactions contemplated thereunder; the increase in authorised share capital and the Specific Mandate
"Enlarged Group"	the Group and the Target Group
"Equipment Leasing Agreement"	the agreement entered into between the Botny Chemical and the Euro Asia Aerosol on 3 October 2014 in relation to the leasing of certain production equipment
"Euro Asia Aerosol"	Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited (廣州歐亞氣霧劑與日化用品製造有限公司), a company established under the laws of the PRC with limited liability and is wholly owned by European Asia Industrial, a company beneficially owned by Mr. Lin

"Euro Asia Packaging"	Euro Asia Packaging (Guang Dong) Co., Limited (廣東歐亞包裝股份有限公司), a company established under the laws of the PRC with limited liability and a 98.623% owned subsidiary of the Company
"European Asia Industrial"	European Asia Industrial, a company established under the laws of the Hong Kong with limited liability and is wholly owned by Mr. Lin
"Group"	the Company and its subsidiaries
"Guangzhou Chaoli"	Guangzhou Chaoli Insulation Coating Company Limited* (廣州超利隔熱塗料有限公司), a company established under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company
"Guangzhou Shentian"	Guangzhou Shentian Woye Trading Company Limited* (廣州深田沃業貿易有限公司), a company established under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Board comprising the four independent non-executive Directors, namely Mr. Leung Man Fai, Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Chung Yi To to be formed for the purpose of advising and giving recommendation to the Independent Shareholders regarding the Acquisition Agreement
"Independent Shareholders"	Shareholders who are entitled to vote in the EGM in respect of the Acquisition Agreement and the transactions contemplated thereunder pursuant to the Listing Rules and all applicable laws (i.e. Shareholders other than Mr. Lin and his associates)
"Last Trading Day"	3 October 2014, the last day on which the Shares are traded on the Stock Exchange immediately preceding the date of the Acquisition Agreement
"Listing Date"	12 July 2013, the date on which dealings in the Shares on the Stock Exchange first commence
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2015 or such other date as the Vendor and the Purchaser may agree

"Maturity Date"	the 5th anniversary date of the date of issue of the Convertible Note
"Noteholder"	the holder of the Convertible Note
"Nuada Limited"	Nuada Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition Agreement and the transactions contemplated thereunder
"Placing Shares"	the new Share(s) to be allotted and issued upon the fulfilment of condition (j) to the Acquisition Agreement
"Possible Acquisition"	the possible acquisition of the controlling shareholding or equity interest in a company incorporated in the British Virgin Islands (together with its subsidiaries), as defined in the Possible Acquisition Announcement
"Possible Acquisition Announcement"	the announcement of the Company dated 20 August 2014 in respect of the Possible Acquisition
"PRC" or "China"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
"Prospectus"	the prospectus of the Company dated 28 June 2013
"Purchaser" or "Euro Asia Investments"	Euro Asia Investments Global Limited, a company incorporated under the laws of the BVI with limited liability and a wholly owned subsidiary of the Company
"Sale Share"	a total of 1 share of US$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
"SFO"	Securities and Future Ordinance, Cap. 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shareholder Loan"	all and any loans and interests owing by the Target Company to the Vendor

"Specific Mandate"	a specific mandate to be granted to the Directors by the Shareholders at the EGM to allot and issue the Conversion Shares and the Placing Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supply Agreement"	the agreement dated 3 October 2014 entered into between Botny Chemical and China Motor Services in relation to the purchase of car care service products from Botny Chemical
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
"Target Company"	Topspan Holdings Limited, a company incorporated under the laws of the BVI with limited liability and is wholly owned by the Vendor as at the date of this announcement
"Target Group"	the Target Company and its subsidiaries
"Target Group Companies"	any company in the Target Group
"Trademark License Agreement"	the agreement entered into between Botny Chemical and China Motor Management on 3 October 2014 in relation to the use of certain trademarks
"Vendor" or "Mr. Lin"	Mr. Lin Wan Tsang, an executive Director, the chairman and a controlling shareholder of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

* *For identification purpose only*

By Order of the Board
China Aluminum Cans Holdings Limited
Chamlong Wachakorn
Executive Director

Hong Kong, 3 October 2014

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