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CHINA ALUMINUM CANS HOLDINGS LIMITED

中國鋁罐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6898)

CONTINUING CONNECTED TRANSACTION MASTER SUPPLY AGREEMENT

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



INTRODUCTION

The Board is pleased to announce that on 17 April 2019 (after trading hours), Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the Master Supply Agreement pursuant to which the Group agreed to sell the Products to the Precious Dragon Group. The parties to the Master Supply Agreement agreed to enter into separate purchase orders in respect of each purchase including but not limited to the types and/or specifications of the Products, quantity, purchase prices, payment terms, date and mode of delivery and other relevant terms in relation to that purchase. The terms of such purchase order shall be consistent with the principles of the Master Supply Agreement.

The Master Supply Agreement is conditional upon (i) the commencement of dealings in the Precious Dragon Shares on the Stock Exchange; and (ii) Independent Shareholders' approval having been obtained in accordance with the Listing Rules in respect of the Master Supply Agreement and the transactions contemplated thereunder (where relevant). The terms of the Master Supply Agreement shall commence from the Commencement Date until 31 December 2021 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Hong Kong Aluminum Cans is a wholly-owned subsidiary of the Company. Mr. Lin is an executive Director, the chairman and the controlling shareholder of the Company. Upon completion of the Spin-off, Mr. Lin is also a controlling shareholder of Precious Dragon, and therefore Precious Dragon will be a connected person of the Company. The entering into of the Master Supply Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

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

A circular containing, among other things, (i) further details of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 9 May 2019.

INTRODUCTION

For the three years ended 31 December 2016, 2017 and 2018, the Precious Dragon Group's purchase of the Products from the Group amounted to approximately HK\$15.3 million, HK\$19.4 million and HK\$27.2 million respectively.

Recently, the Company proposed to spin-off and separately list the Precious Dragon Shares on the Main Board of the Stock Exchange (i.e. the Spin-off). Upon completion of the Spin-off, the Company will not retain any equity interest in Precious Dragon. As the Precious Dragon Group will continue to source and purchase the Products from the Group after completion of the Spin-off, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) entered into the Master Supply Agreement.

MASTER SUPPLY AGREEMENT

1. Principal terms

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

- Date:** 17 April 2019 (after trading hours)
- Parties:** Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies); and
Precious Dragon (for itself and on behalf of its subsidiaries)
- Term:** From the Commencement Date to 31 December 2021 (both days inclusive)

Pursuant to the terms of the Master Supply Agreement and subject to the terms and conditions of each relevant purchase order, the Group agreed to sell the Products to the Precious Dragon Group after completion of the Spin-off, during the term of the Master Supply Agreement.

2. Pricing basis

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

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

To ensure the selling price of each and every sale is in accordance with the principles set out above, the Group shall, when determines the selling price, make reference to (i) the creditability of the Precious Dragon Group; (ii) the expected material costs and production costs to be incurred by the Group in providing the Products; (iii) the marginal profit to be made by the Group, which is expected to be comparable to the

profit that can be realised by sales to its other independent customers; and (iv) any adjustments, which shall be the same as that offered by the Group to its independent customers, based on expected quantity, quality, delivery plan, specification and market competition condition of the Products purchased by Precious Dragon Group.

3. Conditions precedent

The Master Supply Agreement is conditional upon (i) the commencement of dealings in the Precious Dragon Shares on the Stock Exchange; and (ii) Independent Shareholders' approval having been obtained in accordance with the Listing Rules in respect of the Master Supply Agreement and the transactions contemplated thereunder (where relevant).

4. Renewal

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

5. Termination

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

6. Historical transaction amounts

For the three years ended 31 December 2016, 2017 and 2018, the Group's sale of the Products to the Precious Dragon Group amounted to approximately HK\$15.3 million, HK\$19.4 million and HK\$27.2 million, respectively.

7. Annual Caps

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

	Annual Caps (HK\$'000)
During the period from the Commencement Date to 31 December 2019	25,100
For the year ending 31 December 2020	39,200
For the year ending 31 December 2021	47,000

The Annual Caps are determined with reference to a compound annual growth rate of approximately 20.0% in the transaction amounts from the year ended 31 December 2018 to the year ending 31 December 2021 after taking into account, among other things, the historical sale amount of the Products and the Precious Dragon Group's anticipated demand for the Products over the next three years, which is lower than the actual compound annual growth rate of approximately 33.3% from the year ended 31 December 2016 to the year ended 31 December 2018. The Annual Cap for the period from the Commencement Date to 31 December 2019 has been apportioned by seven months with reference to the Group's historical sales of the Products to the Precious Dragon Group for the period from 1 June 2018 to 31 December 2018.

8. Periodic review

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

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

The Group has established a relatively long business relationship with the Precious Dragon Group as the Precious Dragon Group has been sourcing and purchasing the Products from the Group in previous years prior to the Spin-off. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the entering into the Master Supply Agreement enables the Group to retain such a long business relationship. As such, the sale of the Products to the Precious Dragon Group from time to time provides the Group with a relatively stable source of income.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the terms of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, conducted in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PRECIOUS DRAGON GROUP

Information of the Group

Upon completion of the Spin-off, the Group will be principally engaged in the manufacturing and sale of monobloc aluminum aerosol cans which are generally used in the packaging of fast-moving personal care as well as pharmaceutical products.

Information of the Precious Dragon Group

Upon completion of the Spin-off, the Precious Dragon Group will be principally engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products, and also personal care products and other products including household products.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hong Kong Aluminum Cans is a wholly-owned subsidiary of the Company. Mr. Lin is an executive Director, the chairman and the controlling shareholder of the Company. Upon completion of the Spin-off, Mr. Lin is also a controlling shareholder of Precious Dragon, and therefore Precious Dragon will be a connected person of the Company. The entering into of the Master Supply Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

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

GENERAL

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

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

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, has been formed to advise the Independent Shareholders on the terms of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has also appointed Opus Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, (i) further details of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 9 May 2019.

DEFINITIONS

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

“Annual Caps”	the proposed annual maximum aggregate value for the supply of the Products by the Group to the Precious Dragon Group under the Master Supply Agreement for the period from the Commencement Date to 31 December 2019, and the two years ending 31 December 2020 and 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commencement Date”	the date immediately after the fulfilment of the conditions set out in the Master Supply Agreement
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Master Supply Agreement (including the Annual Caps)
“Group”	the Company and its subsidiaries excluding the Precious Dragon Group
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Aluminum Cans”	Hong Kong Aluminum Cans Limited (香港鋁罐有限公司), a company incorporated in Hong Kong with limited liability on 6 September 2012 and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Dr. Lin Tat Pang, Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond, formed to advise the Independent Shareholders on the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps)

“Independent Shareholder(s)”	the Shareholders other than Mr. Lin and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 17 April 2019 (after trading hours) entered into between Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and Precious Dragon (for itself and on behalf of its subsidiaries) in relation to the purchase of the Products by the Precious Dragon Group from the Group upon completion of the Spin-off and the listing of the Precious Dragon Shares
“Mr. Lin”	Mr. Lin Wan Tsang, an executive Director, the chairman of the Company and the controlling shareholder of the Company
“Precious Dragon”	Precious Dragon Technology Holdings Limited (保寶龍科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2018
“Precious Dragon Group”	Precious Dragon and its subsidiaries upon completion of the Spin-off
“Precious Dragon Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of Precious Dragon
“Products”	certain monobloc aluminum aerosol cans
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Spin-off”	the spin-off of Precious Dragon by way of distribution and the separate listing of the Precious Dragon Shares on the Main Board of the Stock Exchange

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

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

Hong Kong, 17 April 2019

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