



建泉融資有限公司
VBG Capital Limited

Members of Hatcher Group Limited
亦辰集團旗下成員 Stock Code 上市編號: 8365.hk

21/F., Grand Millennium Plaza, 181 Queen's Road Central,
Sheung Wan, Hong Kong
香港上環皇后大道中181號新紀元廣場21樓
T 2200 7600 F 2200 7676
E info@vbg.com.hk

24 April 2025

*To: The independent board committee and the independent shareholders
of China Aluminum Cans Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION PROPOSED EXTENSION OF MATURITY DATE OF CONVERTIBLE NOTE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deed of Amendment, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 24 April 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

References are made to the announcements of the Company dated 20 February 2020, 21 February 2020, 24 March 2020 and 15 May 2020 and the circular of the Company dated 9 April 2020 in relation to the Previous Amendments. The Previous Amendments were approved by the then independent shareholders of the Company in the annual general meeting of the Company held on 15 May 2020. As at the Latest Practicable Date, the outstanding principal amount of the Convertible Note was HK\$139,825,440, and the outstanding Convertible Note was convertible into 254,228,072 Conversion Shares at the Conversion Price of HK\$0.55 per Conversion Share. The Convertible Note is interest-free and shall mature on 20 May 2025.

References are also made to the announcements of the Company dated 21 February 2025 and 27 February 2025 in relation to the entering into and the termination of the Previous Deed of Amendment. After further negotiation between the Company and Mr. Lin, the two parties entered into the Deed of Amendment on 28 March 2025, pursuant to which the Company and Mr. Lin conditionally agreed to extend the maturity date of the Convertible Note by five years from 20 May 2025 to 20 May 2030. Save for this Extension, other terms and conditions of the Convertible Note remain unchanged.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. An application has been made to the Stock Exchange for approval of the Extension in accordance with Rule 28.05 of the Listing Rules.

In addition, according to the Letter from the Board, the Extension constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Dr. Lin Tat Pang, Ms. Luo Mei Kai and Mr. Yip Wai Man Raymond (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Deed of Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Extension is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Deed of Amendment and the transactions contemplated thereunder at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from (i) having acted as the independent financial adviser to the Company in respect of a continuing connected transaction for the Company of which a circular was issued on 27 January 2025 (the **"Previous IFA Engagement"**); and (ii) the existing engagement in relation to the Deed of Amendment, we did not have any business relationship with the Company within the past two years. The Previous IFA Engagement was completed on 27 January 2025 (i.e. before the existing engagement) and throughout the term of the Previous IFA Engagement, we had acted independently to the Company in compliance with Rule 13.84 of the Listing Rules. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Deed of Amendment in compliance with Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Deed of Amendment, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Company. We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Company were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Circular were reasonably made after due

enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, Mr. Lin or their respective shareholders, subsidiaries or associates (as applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Deed of Amendment. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Deed of Amendment, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Deed of Amendment

Business and financial overview of the Group

The Group is principally engaged in the manufacture and sale of monobloc aluminum aerosol cans, which are generally used in the packaging of fast-moving personal care products such as sanitizer products, body deodorant, hair styling products and shaving cream, as well as pharmaceutical products such as pain-relieving spray, spray dressing and antiseptic spray.

Set out below is a summary of the key audited consolidated financial information of the Group for the two years ended 31 December 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "**2024 Annual Report**"):

	For the year ended 31 December 2024 HK\$'000	For the year ended 31 December 2023 HK\$'000
Revenue	227,796	235,507
Profit for the year	18,717	21,890

As depicted by the table above, the Group's revenue for the year ended 31 December 2024 was approximately HK\$227.8 million, decreasing slightly as compared to the prior year. During the same year under review, the Group's net profit also decreased from approximately HK\$21.9 million in 2023 to approximately HK\$18.7 million. As referred to in the 2024 Annual Report, the decrease in revenue was primarily due to the change in the domestic market condition in the PRC, the conservative consumption behaviour arising from the downturn in consumer confidence, and the overall market activity further dampened by the weakness in domestic demand, which ultimately led to the decrease in revenue of the Group. At the same time, the decrease in net profit was mainly due to the net effect of (i) the decrease in revenue as aforesaid; (ii) the decrease in gross profit margin due to the increase in the cost of aluminum ingots; and (iii) the implementation of strict cost control measures to reduce the general overhead.

As regards the Group's liquidity and debt position, it is noted from the 2024 Annual Report that the Group had interest bearing bank and other borrowings totaling HK\$53,000 as at 31 December 2024 (31 December 2023: HK\$126,000). All borrowings are charged with reference to the Loan Prime Rate of the People's Bank of China. As at the same said date, the Group's total cash on hand reduced from approximately HK\$39.5 million as at 31 December 2023 to approximately HK\$30.6 million. The gearing ratio, which is calculated by dividing net debt by total equity, was approximately -9% as at 31 December 2024 (31 December 2023: -11%). As represented by the Directors, it is the current strategy of the Company to keep the Group's gearing level at a low level (if possible) amidst the existing challenging and uncertain economic environment.

Reasons for and possible benefits of the Extension

As at the Latest Practicable Date, Mr. Lin, holder of the Convertible Note, was beneficially interested in 660,546,000 Shares, representing approximately 69.05% of the issued share capital of the Company. Assuming full conversion of the Convertible Note into 254,228,072 Conversion Shares at the Conversion Price of HK\$0.55 per Conversion Share, Mr. Lin would be beneficially interested in 914,774,072 Shares, representing approximately 75.54% of the enlarged issued share capital of the Company.

Pursuant to the terms and conditions of the Convertible Note, (i) the noteholder cannot convert the Convertible Note or part thereof if, amongst others, upon exercise of the conversion rights under the Convertible Note, less than 25% of the Company's issued shares would be held by the public (the **"25% Public Float Requirement"**); and (ii) the Convertible Note is not redeemable at any time and the conversion rights attached to any outstanding principal amount of the Convertible Note not being converted on the maturity date shall cease and the noteholder shall not be entitled to claim any cash or alternative form of settlement in respect thereof. As advised by the Directors, after communication with Mr. Lin, they understand that given the limited time available to identify potential buyer(s) for transfer of the Convertible Note before its maturity date, Mr. Lin will immediately sell down his existing holding of the Shares to retain any residual value that the Convertible Note has and avoid forfeiture of the conversion rights under the Convertible Note, in which case Mr. Lin shall not be entitled to claim any cash or alternative form of settlement upon maturity. Although the Shares have been trading below the Conversion Price recently, taking into account that (i) as aforesaid, the Convertible Note is not redeemable at any time and the conversion rights attached to any outstanding principal amount of the Convertible Note not being converted on the maturity date shall cease and the noteholder shall not be entitled to claim any cash or alternative form of settlement in respect thereof, that is to say, the remaining outstanding principal amount of the Convertible Note will become worthless if it expires without the Extension; (ii) regardless of the actual trading price of the Shares, there is no cash outflow for Mr. Lin to convert the Convertible Note; (iii) as shown in the table under the section headed "Reasons for and benefits of the Extension" in the Letter from the Board, the Convertible Note with the principal amount of HK\$27,500,000 was sold on 20 June 2023 when the then market Share price (i.e. HK\$0.465 per Share) was below the Conversion Price (i.e. HK\$0.55 per Conversion Share); and (iv) Mr. Lin has indicated to the Company about his intention of the sell down of Shares if the Extension is not granted, we concur with the Directors that the possibility of selling down of the Shares by Mr. Lin is high if the Extension is not granted.

As mentioned in the foregoing, Mr. Lin would be interested in 914,774,072 Shares assuming full conversion of the Convertible Note. In order to comply with the 25% Public Float Requirement, Mr. Lin may sell approximately 6.6 million Shares in a short period of time (the **"Possible Sell Down"**), which may exert downward pressure on the market price of the Shares. Although the Company may not be adversely impacted by the Possible Sell Down directly, the potential fall in the price of the Shares may be detrimental to the Shareholders if they would like to realize their Shares during the period, and any abrupt fall in the price of the Shares may also create negative impact on the image and reputation of the Company. Since the conversion of the Convertible Note is not within the control of the Company, the Directors consider that the Extension would reduce the immediate risk of such event taking place and allow additional time for Mr. Lin to consider other alternatives such as (i) gradually selling down his existing holding of the Shares over a longer period of time without substantially affecting the market Share price before converting the Convertible Note into new Conversion Shares provided that the 25% Public Float Requirement is complied with or (ii) transferring the Convertible Note to independent third parties as more time is available for identifying potential buyer(s).

In relation to the above, based on our study of the trading performance of the Shares from 1 March 2024 up to the Last Trading Day (being an approximate one-year period before signing of the Deed of Amendment) (the **"Review Period"**), the number of Shares traded was below 100,000 Shares for a majority of 226 trading days out of the total 264 trading days (i.e. over 85%) during the Review Period. Moreover, there were more 50% of the total trading days during the Review Period that the

number of Shares traded was zero. We therefore concur with the Directors that in the event of the Possible Sell Down, it would highly likely to exert downward pressure on the market price of the Shares, which would be detrimental to the interest of the Shareholders if they would like to realize their Shares during the period. We also concur with the Directors that any abrupt fall in the price of the Shares may create negative impact on the image and reputation of the Company.

Taking into account that the Possible Sell Down would highly likely to exert downward pressure on the market price of the Shares, which would (i) be detrimental to the interest of the Shareholders if they would like to realize their Shares during the period and (ii) create negative impact on the image and reputation of the Company, while the Company is reluctant to prevent such Possible Sell Down, we concur with the Directors that the Extension is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Deed of Amendment

On 28 March 2025, the Company and Mr. Lin entered into the Deed of Amendment, pursuant to which the Company and Mr. Lin conditionally agreed to extend the maturity date of the Convertible Note by five years from 20 May 2025 to 20 May 2030.

Save for the Extension as mentioned above, other terms and conditions of the Convertible Note remain unchanged.

Comparable transactions analysis

To perform the comparable transactions analysis, we have searched on an exhaustive basis and identified, to the best of our knowledge and as far as we are aware of, 15 transactions which involved the allotment and issue of convertible bonds/notes to independent third parties or connected persons by listed companies in Hong Kong (the “Comparables”) from 1 January 2025 up to the Last Trading Day (being the approximate 3-month period prior to and including the Last Trading Day). Our research covers announced issues of convertible bonds/notes to both independent third parties and connected parties by listed companies in Hong Kong such that our comparable analysis would be more comprehensive and could better represent the overall prevailing market sentiment. Besides, we chose the said 3-month research period due to its recency before signing of the Deed of Amendment to ensure that the conversion price and interest rate of the Comparables were determined under similar market condition as those under the Convertible Note. We consider the Comparables to be fair and representative. The table below summarizes our relevant findings:

Announcement date	Stock code	Company name	Term	Annual interest rate	Premium/ (Discount) of the conversion price over/to closing price per share on the last trading day prior to/on the date of the relevant announcement/ agreement	Redeemable? (Yes/No)
27 March 2025	8370	Zhi Sheng Group Holdings Limited	Up to 29 August 2025	0%	0%	Yes

Announcement date	Stock code	Company name	Term	Annual interest rate	Premium/ (Discount) of the conversion price over/to closing price per share on the last trading day prior to/on the date of the relevant announcement/ agreement		Redeemable? (Yes/No)
20 March 2025	2500	Venus Medtech (Hangzhou) Inc.	Up to 15 March 2026	10%	35.54%		Yes
18 March 2025	1378	China Hongqiao Group Limited	Up to 26 March 2030	1.5%	38.3%		Yes
13 March 2025	8613	Oriental Payment Group Holdings Limited	1 year	7%	(13.53)%		Yes
10 March 2025	9955	ClouDr Group Limited	2 years	10%	48.12%		Yes
6 March 2025	276	Mongolia Energy Corporation Limited	3 years	3%	25.0%		Yes
26 February 2025	1867	Standard Development Group Limited	2 years	4.5%	61.29%		Yes
18 February 2025	3738	Vobile Group Limited	3 years	0%	0%		Yes
14 February 2025	8223	Ziyuanyuan Holdings Group Limited	18 months	6%	3.4%		Yes
13 February 2025	1115	Tibet Water Resources Ltd.	Up to 1 December 2025	8%	1.47%		Yes
10 February 2025	1368	Xtep International Holdings Limited	Up to 18 February 2026	1.5%	4.2%		Yes
28 January 2025	1636	China Metal Resources Utilization Limited	6 months	9%	(90.58)%		Yes
28 January 2025	1726	HKE Holdings Limited	2 years	0%	162.3%		Yes
15 January 2025	659	CTF Services Limited	Up to 22 July 2025	4%	5.00%		Yes
13 January 2025	1220	Zhidao International (Holdings) Limited	Up to 18 February 2026	0%	22.2%		Yes
			Maximum	10%	162.3%		
			Minimum	0%	(90.58)%		
			Average	4.3%	20.18%		
		The Convertible Note	Up to 20 May 2030	0%	35.8%		No

Note: Except for Mongolia Energy Corporation Limited of which the convertible notes were issued to both independent third parties and connected persons, the Comparables involved issue of convertible bonds/notes to independent third parties.

Source: the Stock Exchange website (www.hkex.com.hk)

We noted from the above table that the conversion price of the Comparables ranged from a discount of approximately 90.58% to a premium of approximately 162.3% to/over the respective closing price of their shares on the last trading day prior to/on the date of the relevant announcement/agreement, with an average of 20.18% premium. As such, the Conversion Price, which represents a premium of approximately 35.8% over the closing price of the Shares on the Last Trading Day, is within the said market range and is above the market average. For instance, the Conversion Price had been persistently above the closing price of the Shares from 20 January 2025 up to the Last Trading Day.

On the other hand, given that the Convertible Note is interest-free, it is more favourable to the Company as compared to most of the Comparables which carried an average interest rate of 4.3% per annum.

Besides, unlike the Comparables which were all redeemable by either the issuer or the bondholder/noteholder, the Convertible Note is not redeemable. We have enquired into the Directors in relation to such fairly abnormal clause. As advised by the Directors, given the existing challenging and uncertain economic environment, they are of the opinion that it is in the interest of the Company not to amend the non-redeemable clause of the Convertible Note, such that the Company will not have the obligation to redeem the Convertible Note in cash and could reserve its cash resources for its business operations. Based on our study of the current cash position of the Group (31 December 2024: approximately HK\$30.6 million), the Company's internal resources are far from sufficient for redemption of the Convertible Note. As represented by the Directors, it is the current strategy of the Company to keep the Group's gearing level at a low level (if possible) amidst the existing challenging and uncertain economic environment. In addition, additional bank borrowings would incur interest costs which would be less favourable to the Group as compared to the interest-free Convertible Note. As for equity financing, we concur with the Directors that it would be rather impractical for the Company to raise for sizeable amount of proceeds from equity financing activities judging from the historical low trading liquidity of the Shares. Under the circumstances that both debt and equity financing would not be feasible, the Convertible Note being non-redeemable would allow the Group to avoid substantial cash outflow, thereby retaining more cash resources for its business operations.

As regards the 5-year Extension term, we noted that except for China Hongqiao Group Limited, the term of the Comparables were of three years at maximum. Nonetheless, we are of the opinion that the maturity of convertible bonds/notes hinges more on the specific situation of the issuer instead of the general market condition. Unlike the Comparables, the Convertible Note is not redeemable and carries no interests. It is therefore classified as equity in the consolidated financial statements of the Company. As also being detailed under the following section of this letter of advice, it is expected that the Convertible Note would neither affect the operations nor the financial position of the Group. In other words, while allowing additional time for Mr. Lin to consider other alternatives such as (i) gradually selling down his existing holding of the Shares in smaller sum over a longer period of time without substantially affecting the market Share price before converting the Convertible Note into new Conversion Shares or (ii) transferring the Convertible Note to independent third parties as more time is available for identifying potential buyer(s), the 5-year Extension would not have material detrimental impact on the Company. On the contrary, the Company considers the Extension makes the

Convertible Note more appealing and serves to incentivize Mr. Lin's continual support to the Group and effort in promoting the Group's long-term growth and development with an aim to boost the Share price to a level above the Conversion Price. Balancing the above, we are of the view that the 5-year Extension term is acceptable.

In view of the above, we consider the terms of the Deed of Amendment to be on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned notwithstanding that the Convertible Note is not redeemable.

3. Effect of the Extension on the Group

No material change on operations of the Group

Under the terms and conditions of the Convertible Note, the noteholder cannot convert the Convertible Note or part thereof if upon exercise of the conversion rights under the 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) the 25% Public Float Requirement is not complied with (collectively the "**Conversion Restrictions**").

As at the Latest Practicable Date, Mr. Lin was the controlling shareholder of the Company, beneficially interested in 660,546,000 Shares, representing approximately 69.05% of the issued share capital of the Company. Upon possible conversion of the Convertible Note at the Conversion Price by Mr. Lin to the extent that the Conversion Restrictions are met and assuming that there is no other change in the issued share capital of the Company as well as the existing shareholdings of Mr. Lin in the Company, Mr. Lin would remain as the controlling shareholder of the Company holding 75% of the total issued share capital of the Company at maximum. Hence, the Directors are of the view that the Extension would not affect the daily business operations of the Group.

As a matter of fact, since the listing of the Company in July 2013, Mr. Lin has led the Group as the founder of the Group and an executive Director. As said, the Company considers that the Extension makes the Convertible Note more appealing to Mr. Lin and serves to incentivize Mr. Lin's continual support to the Group and effort in promoting the Group's long-term growth and development to boost the Share price to a higher level.

Possible financial effects of the Extension

As confirmed by the Directors, since the Convertible Note is not redeemable and carries no interests, it is classified as equity in the consolidated financial statements of the Company. As such, the Extension shall have no impact on the earnings and net assets of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Extension taking effect.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Deed of Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned notwithstanding that the Convertible Note is not redeemable; and (ii) the Extension is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Deed of Amendment and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited



Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in corporate finance.