
THE DISTRIBUTION AND SPIN-OFF

THE DISTRIBUTION

Information on the Distribution

On 29 May 2019, the China Aluminum Cans Board declared a conditional special interim dividend to be satisfied by way of the Distribution to the Qualifying China Aluminum Cans Shareholders. Pursuant to the Distribution, the Qualifying China Aluminum Cans Shareholders will be entitled to one Share for every four China Aluminum Cans Shares held as at the Distribution Record Date, and in such case and for the avoidance of doubt, Qualifying China Aluminum Cans Shareholders of less than four China Aluminum Cans Shares on the Distribution Record Date will not be entitled to any Shares. On the Distribution Record Date, China Aluminum Cans will subscribe for such number of Shares which, together with the existing Shares in issue, equal to 25% of the number of China Aluminum Cans Shares in issue as at the Distribution Record Date, at the subscription price of HK\$0.10 each. Immediately prior to completion of the Spin-off, our Company will allot and issue such number of new Shares as will ultimately enable China Aluminum Cans to effect the Distribution on the basis of one Share for every four China Aluminum Cans Shares held as at the Distribution Record Date. Fractional entitlements of Qualifying China Aluminum Cans Shareholders to our Shares under the Distribution will be disregarded and will instead be aggregated and sold by China Aluminum Cans on the market and the aggregate proceeds of such sale (net of expense and taxes) will be retained for the benefit of China Aluminum Cans. China Aluminum Cans Shareholders should note that they will not be required to pay any consideration to China Aluminum Cans or our Company for the Shares received pursuant to the Distribution or complete any application form to receive our Shares pursuant to the Distribution.

Our Shares will be traded in board lots of 2,000 Shares each. As a result of the Distribution, Qualifying China Aluminum Cans Shareholders may receive our Shares in odd lots. Our Company has appointed China Tonghai Securities Company Limited as its agent in providing matching service to our Shareholders to facilitate the acquisition of odd lots of our Shares to make up a full board lot or the disposal of any Shares which they may receive in odd lots. For details, please refer to the section headed “Information about this listing document and the Spin-off — Odd lot arrangements” in this listing document.

Our Shares which the Excluded China Aluminum Cans Shareholders would otherwise receive pursuant to the Distribution will be issued to a nominee selected by the China Aluminum Cans Board, who will sell such Shares in the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Excluded China Aluminum Cans Shareholders (*pro rata* to their shareholdings in China Aluminum Cans as at the Distribution Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Distribution, provided that if the amount that an Excluded China Aluminum Cans Shareholder would be entitled to receive is less than HK\$100, such sum will be retained for the benefit of China Aluminum Cans.

Share certificates are expected to be despatched to the Qualifying China Aluminum Cans Shareholders (except for any Excluded China Aluminum Cans Shareholders) on Thursday, 20 June 2019 by ordinary post at their own risks. The Share certificates will only become valid if the Distribution becomes unconditional.

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The Qualifying China Aluminum Cans Shareholders who hold China Aluminum Cans Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive our Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants.

As the Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying China Aluminum Cans Shareholders in our Company, the Spin-off will not constitute a transaction for China Aluminum Cans under Chapter 14 of the Listing Rules and accordingly, the approval of the China Aluminum Cans Shareholders will not be required for the Spin-off.

Condition to the Distribution

The Distribution is conditional on the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to completion of the Spin-off. If this condition is not satisfied, the Distribution will not be made and the Spin-off will not take place.

Excluded China Aluminum Cans Shareholders

The allotment and issue by our Company of our Shares under the Distribution to certain China Aluminum Cans Shareholders may be subject to laws of jurisdictions outside Hong Kong. China Aluminum Cans Shareholders and Beneficial China Aluminum Cans Shareholders whose addresses registered in the register of members of China Aluminum Cans are in, or who are located or residing in, jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of China Aluminum Cans Shareholders and Beneficial China Aluminum Cans Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution, including obtaining any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

Overseas China Aluminum Cans Shareholders and Beneficial China Aluminum Cans Shareholders should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of laws or regulations or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to our Shares, as the case may be. It is emphasised that none of China Aluminum Cans, our Company or any of the Relevant Persons accepts any responsibility in relation to the above.

Excluded China Aluminum Cans Shareholders are those Overseas China Aluminum Cans Shareholders with registered addresses in an Excluded Jurisdiction, and other China Aluminum Cans Shareholders or Beneficial China Aluminum Cans Shareholders who are otherwise known by China Aluminum Cans to be residents of, or located in, jurisdictions outside Hong Kong as at the Distribution Record Date, whom the China Aluminum Cans Board and our Board, based on enquiries made on their behalves and the legal advice provided by their legal advisers, consider it necessary or

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expedient to exclude from receiving our Shares pursuant to the Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where such China Aluminum Cans Shareholders or Beneficial China Aluminum Cans Shareholders are resident or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Excluded China Aluminum Cans Shareholders will not receive any Shares.

As at the Latest Practicable Date, based on the information provided by China Aluminum Cans, there were no China Aluminum Cans Shareholders whose addresses as registered in the register of members of China Aluminum Cans were outside Hong Kong.

China Aluminum Cans and our Company reserve the right, in its and our absolute discretion, to determine whether to allow the participation of any China Aluminum Cans Shareholder or Beneficial China Aluminum Cans Shareholder in the Distribution.

Information for Overseas China Aluminum Cans Shareholders

This listing document is for the exclusive use by China Aluminum Cans Shareholders solely for the purposes of assessing the Distribution and should not be used other than in connection with such purpose. This listing document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, our Shares or to take up any entitlements to our Shares or any solicitation or act in furtherance to a trade in any jurisdiction in which such an offer or solicitation or act is unlawful.

Neither our Shares nor this listing document has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, our Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdiction, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, our Shares or exercise any rights attaching to our Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

China Aluminum Cans Shareholders should note that they will not be required to pay or provide any consideration to China Aluminum Cans or our Company for any Shares received pursuant to the Distribution. Receipt of our Shares by any person pursuant to the Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties above. Such persons should consult their professional advisers if in doubt.

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THE SPIN-OFF

On 4 April 2018, China Aluminum Cans submitted a proposal in relation to the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. On 28 June 2018, the Stock Exchange agreed that China Aluminum Cans may proceed with the Spin-off.

The Spin-off will be implemented in compliance with the Listing Rules, including Practice Note 15 to the Listing Rules. As the Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying China Aluminum Cans Shareholders in our Company, the Spin-off will not constitute a transaction for China Aluminum Cans under Chapter 14 of the Listing Rules. Accordingly, the approval of the China Aluminum Cans Shareholders will not be required for the Spin-off.

Other than to give effect to the Distribution, the Spin-off will not involve any offering of Shares by our Company for sale or subscription and no new proceeds will be raised by our Company.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The Spin-off is a demerger effecting the separation of the business of design, development, manufacturing and sale of automotive beauty and maintenance products, personal care products and other products including household products from the other businesses of the China Aluminum Cans Group by demerging the China Aluminum Cans Group into our Group and the Remaining China Aluminum Cans Group.

The China Aluminum Cans Board and our Board consider that the Spin-off is in the interests of China Aluminum Cans and our Company and their/our respective shareholders as a whole for the following reasons:

(i) The operating results and growth potential of our Group are sufficient to warrant a separate listing on the Stock Exchange

The business of our Group has been expanding in the past few years and the China Aluminum Cans Board and our Board consider that our Group has reached a size and critical mass, while still with growth potential, that justify a separate listing on the Stock Exchange.

Size of our Group

For the three years ended 31 December 2018, our Group generated revenue of approximately HK\$526.9 million, HK\$518.4 million and HK\$610.9 million, respectively, representing a CAGR of approximately 7.7%. According to the CIC Report, in 2018, our Group was ranked first in the manufacturing of aerosol products used in the automotive beauty and maintenance market in the PRC in terms of revenue, with a market share of approximately 13.2%. Our Group has operated for more than 15 years and has attained a strong market position.

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Growth potential of our Group

While our Group has grown to become one of the leading manufacturers of aerosol products used in the automotive beauty and maintenance market in the PRC, the China Aluminum Cans Board and our Board consider that there is growth potential in our Group's business, in particular, sales of our OBM products in the overseas markets, our online sales and sales of personal care products in the PRC. For the year ended 31 December 2018, revenue generated from our overseas OBM customers, online retail stores and sales of personal care products accounted for approximately 1.4%, 1.4% and 20.6% of our total revenue, respectively, indicating there is ample room for further growth.

According to the CIC Report, during the period from 2018 to 2023, (a) consumer expenditure of automotive beauty and maintenance products in the PRC is expected to grow at a CAGR of approximately 10.6%; (b) sales revenue of the manufacturing of aerosol products used in the automotive beauty and maintenance market in terms of ex-factory price in the PRC is expected to grow at a CAGR of approximately 8.0%; and (c) sales revenue of the manufacturing of aerosol products used in the personal care market in terms of ex-factory price in the PRC is expected to grow at a CAGR of approximately 10.1%. The markets in which our Group operates are expected to continue to exhibit strong growth in the coming years.

Benefits of a separate listing status

As further explained below, a separate listing status will enable (a) investors to appraise the strategies, exposure, growth potential, risks and investment returns of the business of our Group independently; and (b) our Company to (1) take advantage of the above growth potential of our business by having our own fund raising platform to directly and independently access both the debt and equity capital markets to further expand our business, in particular, sales of our OBM products in the overseas markets, our online sales and sales of personal care products in the PRC; and (2) target our investor base more effectively. Our Company can then be valued on a standalone basis, which can release the true implied value of our business.

(ii) Clear delineation between the businesses of the Remaining China Aluminum Cans Group and our Group enables investors to properly appraise and assess the value and performance of our Group independently from the Remaining China Aluminum Cans Group

There are clear strategic and operational differences between the businesses of the Remaining China Aluminum Cans Group and our Group. The nature of business, sources of revenue, product offerings, market focus, target customers and suppliers of the Remaining China Aluminum Cans Group and our Group are vastly different with separate production plants and facilities, management teams and workforce. For details, please refer to the section headed "Relationship with our Controlling Shareholders — Independence of our Group from the Remaining China Aluminum Cans Group — (i) Clear delineation of business" in this listing document. The two businesses require different management skills and offer different profiles of investment return and risk which are appealing to different types of investors. With the Spin-off, investors can choose to invest in either our Company or China Aluminum Cans or both of them.

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The Spin-off allows the Remaining China Aluminum Cans Group to continue to focus on consolidating and enhancing its current market position in the PRC aluminum can manufacturing market, while allowing our Group to further enhance the market penetration of our BOTNY brand and personal care products in the PRC and develop our OBM business in the overseas markets. It provides our stakeholders (including our customers and suppliers) with a clear business focus.

The clear delineation between the businesses of the Remaining China Aluminum Cans Group and our Group is expected to enhance the operational, managerial and financial transparency of, and enable investors to separately appraise the strategies, exposure, growth potential, risks and investment returns of the respective businesses of, the Remaining China Aluminum Cans Group and our Group, achieving a clear and fair valuation for both the Remaining China Aluminum Cans Group and our Group and therefore unlocking the intrinsic value of our Group, details of which are set out below. Through the Spin-off and the Listing, our Group will be valued independently and the investors will be provided with more information on the operating performance of our Group.

After the Spin-off, our Group will be classified in the aerosol products industry with clear market positioning to be appraised by the investors against other comparable companies in the market. It allows investors who are interested in our Group's business to directly invest in our Company instead of China Aluminum Cans.

(iii) The implied value of the business of our Group can be unlocked with a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole prior to the Spin-off

The businesses and the perceived valuations of the Remaining China Aluminum Cans Group and our Group are entirely different.

Difference in growth prospects of the Remaining China Aluminum Cans Group and our Group

The Remaining China Aluminum Cans Group is engaged in the manufacturing and sale of monobloc aluminum aerosol cans without its own brand whereas our Group is engaged in the design, development, manufacturing and sale of automotive beauty and maintenance products principally under our BOTNY brand as well as personal care products and other products including household products. The difference in the nature of business, business model and product offering results in the difference in the growth prospects of the Remaining China Aluminum Cans Group and our Group.

Current undervaluation of the China Aluminum Cans Shares

During the period from 20 May 2015 (i.e. the date of completion of the acquisition of Topspan) to 28 September 2018 (i.e. the date of announcement of the proposed Spin-off), the China Aluminum Cans Shares were traded at price-to-earnings multiples (the "P/E(s)") ranging from approximately 6.76 times to approximately 14.33 times with an average of approximately 9.55 times (the "China Aluminum Cans Average P/E"). Analysis of comparable companies (listed in Hong Kong and oversea markets) and/or comparable transactions as at the Latest Practicable Date showed that (a) companies engaged in metal packaging business or manufacturing and sale of car care products were

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generally valued at P/Es higher than the China Aluminum Cans Average P/E, indicating that the China Aluminum Cans Shares had been undervalued; (b) each of our Group and the Remaining China Aluminum Cans Group had a market value of above HK\$500 million; and (c) that the valuation of our Group perceived by the market was higher than that of the Remaining China Aluminum Cans Group.

Basis on how the intrinsic values of the Remaining China Aluminum Cans Group and our Group can be unlocked through the Spin-off

Given the undervaluation of the China Aluminum Cans Shares, the China Aluminum Cans Board and our Board expect that the Spin-off will unlock the intrinsic values of both the China Aluminum Cans Shares and our Shares.

In assessing whether there is any enhancement in values of the China Aluminum Cans Shares and our Shares upon completion of the Spin-off, the China Aluminum Cans Board and our Board have considered comparable spin-off transactions (the “**Comparable Spin-off Transactions**”) since 1 January 2013 for separate listings on the Stock Exchange in which (a) the parent company had a market capitalisation of below HK\$2 billion immediately prior to first announcement of the proposed spin-off, as compared to the market capitalisation of China Aluminum Cans of approximately HK\$1.2 billion as at 28 September 2018, the date of announcement of the proposed Spin-off; and (b) the spin-off company would cease to be a subsidiary of the parent company upon completion of the proposed spin-off, as in the case of the Spin-off. For each of the four Comparable Spin-off Transactions identified based on the aforesaid criteria, the aggregate of the market capitalisations of the parent company and the spin-off company on the first date of listing of the spin-off company was enhanced by a range of approximately 16.0% to 80.8% as compared to the market capitalisation of the parent company immediately prior to first announcement of the proposed spin-off, indicating an enhancement of the value of the remaining business and the spin-off business as a whole. It should be noted that the determination of the market capitalisation of each of China Aluminum Cans and our Company upon completion of the Spin-off solely based on the current market capitalisation of China Aluminum Cans does not take into account such value enhancement.

Based on the above, the China Aluminum Cans Board and our Board expect that the implied value of the business of our Group can be unlocked with a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole.

(iv) The Spin-off will facilitate the further development of our Group and provide separate fundraising platforms for the Remaining China Aluminum Cans Group and our Group with respect to their respective operations, future developments and investment opportunities

The Spin-off will enable the Remaining China Aluminum Cans Group and our Group to directly and independently access both the debt and equity capital markets to fund their respective operations, future developments and investment opportunities, and at pricing that reflects the risk and reward profiles of their respective businesses. Our Company will enjoy enhanced flexibility to grow our business free of actual or perceived constraints as a wholly-owned subsidiary of China Aluminum Cans.

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The enhanced access to capital by virtue of our Group's separate listing status is expected to support our future expansion plans, primarily for sales of our OBM products in the overseas markets and our online retail stores as well as sales of personal care products in the PRC which we consider with ample growth potential, without reliance on China Aluminum Cans to do so. This will not only help strengthen our leading position in the industry of automotive beauty and maintenance aerosol products on one hand, but also serve to provide additional funding channel for us to further expand our business. It is therefore expected that the separate listing platforms will improve the capital raising capability of both the Remaining China Aluminum Cans Group and our Group, as both entities will be able to target their respective shareholder bases more effectively.

Given that the implied value of the business of our Group can be unlocked at a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole as explained above, it is expected that our Company can conduct equity financing at a better valuation than China Aluminum Cans does prior to the Spin-off.

(v) China Aluminum Cans will be able to return value to its shareholders in the form of liquid securities which are expected to be traded at a higher valuation multiple than the valuation of the China Aluminum Cans Group as a whole prior to the Spin-off

In accordance with the requirements of Practice Note 15 of the Listing Rules, China Aluminum Cans will give due regard to the interests of its shareholders by providing the Qualifying China Aluminum Cans Shareholders with an assured entitlement to our Shares by way of the distribution in specie of our Shares if the Spin-off proceeds, whereby upon the Listing, the Qualifying China Aluminum Cans Shareholders will be entitled to one Share for every four China Aluminum Cans Shares held by them as at the Distribution Record Date.

As a result, the Qualifying China Aluminum Cans Shareholders are being given, via the Distribution, an asset that should, upon Listing, represent a liquid asset, that gives each Qualifying China Aluminum Cans Shareholder the choice to remain invested or readily realise or alter the mix of his/her investment (as between cash and our Shares).

Based on the analysis on the Comparable Spin-off Transactions as explained above, upon completion of the Spin-off, the aggregate of the market values of the China Aluminum Cans Shares and our Shares held by each Qualifying China Aluminum Cans Shareholder on the first date of Listing is expected to be higher than the market value of such China Aluminum Cans Shares on 28 September 2018, the date of announcement of the proposed Spin-off, resulting in a value enhancement, which is in the interests of the China Aluminum Cans Shareholders.

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- (vi) After the Listing, the respective management teams of our Group and the Remaining China Aluminum Cans Group will be appraised independently based on their performance which helps promote better staff motivation**

The Share performance of our Company can serve as a separate benchmark for our Shareholders and the investing public to evaluate the performance of our Group which could in turn serve as an incentive for the management of our Group to seek improvement and raise management and operating efficiency of our Group on an ongoing basis. Furthermore, the management of our Group will be individually at stake with the compliance of the Listing Rules, in particular the Corporate Governance Code and be more concentrated and adequately observe the Listing Rules as a whole.

Following the Spin-off, our Company will be able to offer equity based incentive programs (such as share option scheme) that correlate directly to the performance of our Group to our management and employees and will therefore be in a better position to motivate our management and employees with incentive programs that closely align with the objective of shareholder value creation, resulting in enhanced employee passion and loyalty. It will also enhance our ability to recruit the best talents available.

- (vii) The Spin-off will allow the management teams of both our Group and the Remaining China Aluminum Cans Group to focus more effectively on their respective core businesses, streamlining their respective decision-making processes and enhancing responsiveness to market changes**

The Spin-off will allow the management teams of both our Group and the Remaining China Aluminum Cans Group to focus more effectively on their respective core businesses and expertise and to improve their abilities to recruit, motivate and retain key management personnel for each line of business as well as to expediently and effectively capitalise on any business opportunities that may arise, with segregation of business and operational risk. The more efficient allocation of resources which specifically caters for the respective business needs is believed to assist both the Remaining China Aluminum Cans Group and our Group in streamlining their respective decision-making processes and enhancing responsiveness to market changes. Our Group will formulate and implement business strategies towards enhancing our brand image by leveraging on the respective expertise and industry knowledge of our executive Directors, Mrs. Lin, Ms. Flora Lin, Mr. Alex Lin and Mr. Yang, while the Remaining China Aluminum Cans Group will benefit from a more focused approach to maximise synergies of its existing business under the leadership of Mr. Lin. Furthermore, our Board and management will implement a series of effective corporate governance measures in compliance with the Listing Rule and our compliance status will be fully disclosed in our ongoing interim and annual reports.