



Wan Cheng Metal Packaging Company Limited
萬成金屬包裝有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8291

First Quarterly Report 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (the “**Directors**”) of Wan Cheng Metal Packaging Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “**Group**”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

Summary

- Revenue for the three months ended 31 March 2018 amounted to approximately RMB25.0 million (three months ended 31 March 2017: approximately RMB24.3 million), representing a increase of approximately 2.8% as compared with corresponding period.
- Profit attributable to owners of the Company for the three months ended 31 March 2018 amounted to approximately RMB1,102,000 while profit attributable to owners of the Company for the three months ended 31 March 2017 amounted to approximately RMB1,096,000.
- Basis earnings per share for the three months ended 31 March 2018 amounted to approximately RMB0.28 cent while basic earnings per share for the three months ended 31 March 2017 amounted to approximately RMB0.37 cent.

Unaudited First Quarterly Results

The board of Directors (the “**Board**”) of Wan Cheng Metal Packaging Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2018 together with the comparative figures in 2017 as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	2	25,012	24,335
Cost of sales		(19,331)	(17,808)
Gross profit		5,681	6,527
Other income and gains	2	164	134
Selling expenses		(404)	(400)
Administrative and other expenses		(2,906)	(3,580)
Finance costs		(661)	(574)
Profit before income tax		1,874	2,107
Income tax expense	3	(772)	(1,011)
Profit for the period		1,102	1,096

Unaudited Condensed Consolidated Statement of Comprehensive Income (Continued)

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Other comprehensive income/(loss) for the period:			
<i>Item that may be subsequently reclassified to profit and loss:</i>			
Exchange differences on translating foreign operations		298	(163)
		1,400	933
Total comprehensive income for the period attributable to the owners of the Company		1,400	933
Earnings per share attributable to owners of the Company for the period			
— basic and diluted (RMB cents)	5	0.28	0.37

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2018

	Equity attributable to owners of the Company							Total
	Share capital	Share premium	Statutory		Exchange reserve	Merger reserve	Retained earnings	
			reserve fund	Capital reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2017 (Audited)	2,505	38,089	3,826	7,200	3,607	(35,783)	28,627	48,071
Profit for the period	—	—	—	—	—	—	1,096	1,096
Other comprehensive loss:								
Exchange difference on translating foreign operations	—	—	—	—	(163)	—	—	(163)
Total comprehensive (loss)/income for the period	—	—	—	—	(163)	—	1,096	933
At 31 March 2017 (Unaudited)	2,505	38,089	3,826	7,200	3,444	(35,783)	29,723	49,004
At 1 January 2018 (Audited)	3,372	87,552	3,826	7,200	1,725	(35,783)	25,073	92,965
Profit for the period	—	—	—	—	—	—	1,102	1,102
Other comprehensive income:								
Exchange difference on translating foreign operations	—	—	—	—	298	—	—	298
Total comprehensive income for the period	—	—	—	—	298	—	1,102	1,400
At 31 March 2018 (Unaudited)	3,372	87,552	3,826	7,200	2,023	(35,783)	26,175	94,365

Notes to the Unaudited Condensed Consolidated Financial Results

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands on 21 April 2016 and its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is Suite 1203, 12th Floor, Shanghai Industrial Investment Building, 60 Hennessy Road, Wanchai, Hong Kong. The shares of the Company were listed on the GEM of the Stock Exchange by way of share offer since 18 July 2017.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the manufacturing and sales of tinplate packaging products in the People's Republic of China (the "PRC").

The unaudited condensed consolidated financial statements for the three months ended 31 March 2018 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of unaudited condensed consolidated financial statements for the three months ended 31 March 2018 are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "**New and Revised HKFRSs**") (which include add HKFRSs, Hong Kong Accounting Standards ("**HKASS**") and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

Notes to the Unaudited Condensed Consolidated Financial Results (Continued)

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The adoption of the New and Revised HKFRSs has had no significant effect on the unaudited condensed consolidated financial statements for the three months ended 31 March 2018 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 31 March 2018. The Group has not applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2018 have been prepared on the historical cost basis. The functional currency of the Company is Hong Kong dollar ("HK\$"). The unaudited condensed consolidated financial statements for the three months ended 31 March 2018 are presented in Renminbi ("RMB") instead of its functional currency as RMB is the principal currency of the economic environment on which the Group operates. All values are rounded to the nearest thousands, except when otherwise indicated.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

Notes to the Unaudited Condensed Consolidated Financial Results (Continued)

2. REVENUE/OTHER INCOME AND GAINS

The Group's principal activities are manufacturing and sales of tinplate packaging products.

Revenue from the Group's principal activities during the period under review is as follows:

	Three months ended 31 March	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue from tinplate packaging products	25,012	24,335
Other income and gains:		
Sale of scrap materials	139	111
Others	25	23
	164	134

Notes to the Unaudited Condensed Consolidated Financial Results (Continued)

3. INCOME TAX EXPENSE

	Three months ended 31 March	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current income tax Provision for the period	772	1,011

No Hong Kong profits tax was provided as the Group has no estimated assessable profits for the three months ended 31 March 2018 and 2017.

The subsidiaries of the Company established in the PRC are subject to the PRC Enterprise Income Tax ("EIT"). EIT has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for the three months ended 2017. The Group had no material unrecognised deferred tax as at 31 December 2017 and 31 March 2018.

4. DIVIDEND

The Board does not recommend the payment of an dividend for the three months ended 31 March 2018 (2017: Nil).

Notes to the Unaudited Condensed Consolidated Financial Results (Continued)

5. EARNINGS PER SHARE

The earnings per share for the period are calculated based on the following data:

	Three months ended 31 March	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit attributable to owners of the Company for the purpose of calculating earnings per share	1,102	1,096

	Number of shares Three months ended 31 March	
	2018 '000 (unaudited)	2017 '000 (unaudited)
Weighted average number of ordinary shares for the purpose of calculating earnings per share	400,000	300,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation issue as disclosed in the Prospectus had been effective on 1 January 2017.

No diluted earnings per share is calculated for the three months ended 31 March 2018 and 2017 as there was no dilutive potential ordinary share in existence.

Management Discussion and Analysis

BUSINESS ACTIVITIES

The Group is principally engaged in manufacturing and sales of tinplate packaging products in the PRC. The shares of the Company were listed on the GEM (the “**Listing**”) on 18 July 2017 (the “**Listing Date**”). Since the listing of the Company’s share on the GEM, there has been no significant change in the business operations of the Group.

BUSINESS REVIEW AND PROSPECT

During the three months ended 31 March 2018, the Group derived the revenue principally from the sale of tinplate packaging products in the PRC. The major products were tin cans and steel pails, which are generally used for storing paint and coatings.

The Group recorded an increase in revenue by approximately RMB0.7 million, or approximately 2.8%, from approximately RMB24.3 million for the three months ended 31 March 2017 to approximately RMB25.0 million for the three months ended 31 March 2018, which was contributed by slightly increase in customer orders during the three months ended 31 March 2018.

The profit for the period under review increased by approximately RMB6,000, or approximately 0.5%, from approximately RMB1,096,000 for the three months ended 31 March 2017 to approximately RMB1,102,000 for the three months ended 31 March 2018.

Looking forward, the Group is going to further consolidate its market share in the tinplate packaging business and to continue to expand domestically by implementing the following business strategies:

For steel pails, the Group purchased one new production line for production of steel pails to meet the potential growth on the Group’s revenue from the sales of steel pails so as to maintaining its competitiveness.

For tin cans, the Group upgraded of its existing production lines. The Group considers that upgrading of the production line will enhance the overall production efficiency as well as to have better control over the operating costs, and ultimately enhance the profitability.

Management Discussion and Analysis (Continued)

As part of its strategy to expand its market share, the Group will attend certain exhibition for coatings and coating related products. The Group also plans to expand the sales team with experienced staff in order to focus on the soliciting of new customers for its product portfolio. The Group aims to achieve stable growth and reduce the concentration risk in any single customer group by the expansion of the customer base.

With the Group's experienced management team and reputation in the market, the Directors consider the Group to be well-positioned to compete against its competitors and future challenges.

FINANCIAL REVIEW

Revenue

During the three months ended 31 March 2018, the Group derived the revenue principally from the sale of tinplate packaging products in the PRC. The Group generally recognises revenue from the sales of tinplate packaging products upon delivery of the products to the customers with their acceptance of the Group's products.

Revenue from the sales of tin cans increased by approximately RMB0.4 million, or approximately 3.1%, from approximately RMB13.1 million for the three months ended 31 March 2017 to approximately RMB13.5 million for the three months ended 31 March 2018.

Revenue from the sales of steel pails, which have relatively higher average selling price per unit than tin cans, increased by approximately RMB0.9 million, or approximately 9.3%, from approximately RMB9.7 million for the three months ended 31 March 2017 to approximately RMB10.6 million for the three months ended 31 March 2018. Such increase was mainly due to the slightly increase in customer orders during the three months ended 31 March 2018.

Management Discussion and Analysis (Continued)

Cost of sales

Cost of sales mainly comprised the cost of tinplate coil, tinplate processing costs, ancillary materials and consumables, staff costs, depreciation, utilities and repair, and maintenance costs. The cost of sales increased by approximately RMB1.5 million, or approximately 8.6% from approximately RMB17.8 million for the three months ended 31 March 2017 to approximately RMB19.3 million for the three months ended 31 March 2018. Such increase was mainly due to the slightly increase in average cost of tinplate coils consumed for our production during the three months ended 31 March 2018 as compared to the three months ended 31 March 2017.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB6.5 million for the three months ended 31 March 2017 to approximately RMB5.7 million for the three months ended 31 March 2018, representing a decrease of approximately 12.3%.

Gross profit margin decreased from approximately 26.8% for the three months ended 31 March 2017 to 22.7% for the three months ended 31 March 2018. The decrease was mainly due to the decrease in average selling price of the Group's products for the three months ended 31 March 2018 as compared to the three months ended 31 March 2017.

Other income and gains

Other income and gains mainly represents the sales of scrap materials, interest income from bank deposits and bad debt recovered, which increased from approximately RMB134,000 for the three months ended 31 March 2017 to approximately RMB164,000 for the three months ended 31 March 2018.

Selling expenses

The Group's selling expenses mainly included transportation costs for its logistic team, staff costs, entertainment expenses and consumables which remained stable at approximately RMB400,000 and RMB404,000 for the three months ended 31 March 2017 and 2018 respectively.

Management Discussion and Analysis (Continued)

Administrative and other expenses

The Group's administrative and other expenses mainly included staff costs, building administrative fees, other tax expenses, depreciation and amortization, travelling and entertainment, office consumables and supplies, legal and professional fees, listing expenses and other miscellaneous administrative expenses. The Group recorded a decrease in administrative and other expenses by approximately RMB0.7 million, or approximately 18.8%, from approximately RMB3.6 million for the three months ended 31 March 2017 to approximately RMB2.9 million for the three months ended 31 March 2018. Such decrease was mainly due to no listing expenses incurred for the period ended 31 March 2018 as the listing process was completed in the year 2017.

Finance costs

The Group's finance costs mainly comprised of interest expenses on bank borrowings and discounted bills receivables and bank charges. The finance costs increased by approximately RMB0.1 million, or approximately 15.2%, from approximately RMB0.6 million for the three months ended 31 March 2017 to approximately RMB0.7 million for the three months ended 31 March 2018. Such increase was mainly due to the higher discounted rate of bills for the three months ended 31 March 2018 as compared to the three months ended 31 March 2017.

Profit for the period

The profit for the period under review increased by approximately RMB6,000, or approximately 0.5%, from approximately RMB1,096,000 for the three months ended 31 March 2017 to approximately RMB1,102,000 for the three months ended 31 March 2018.

Dividends

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2018, there were no significant contingent liabilities for the Group.

Management Discussion and Analysis (Continued)

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investment for the three months ended 31 March 2018.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the three months ended 31 March 2018, the Group did not hedge any exposure to foreign exchange risk.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this first quarterly report, the Group did not have other plans for material investments or capital assets as of 31 March 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2018, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Management Discussion and Analysis (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2018, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity/ Nature of interest	Number of shares held/ interested in	Approximate percentage of shareholding
Fortune Time Enterprises Limited ("Fortune Time") (Note 1)	Beneficial owner	217,795,000	54.45%
Mr. Liang Jianxun ("Mr. JX Liang") (Note 1)	Interest in a controlled corporation	217,795,000	54.45%
Ms. Liang Zhimei (Note 1)	Interest in a controlled corporation	217,795,000	54.45%
Mr. Zhang Zhiwei (Note 1)	Interest in a controlled corporation	217,795,000	54.45%
Ms. Liang Yingjun (Note 2)	Interest of spouse	217,795,000	54.45%
Mr. Luo Yuanying (Note 3)	Interest of spouse	217,795,000	54.45%
Ms. Yu Xianghong (Note 4)	Interest of spouse	217,795,000	54.45%
Century Great Investments Limited ("Century Great") (Note 5)	Beneficial owner	22,500,000	5.63%
Mr. Law Sai Hung ("Mr. Law") (Note 5)	Interest in a controlled corporation	22,500,000	5.63%

Management Discussion and Analysis (Continued)

Notes:

1. *Fortune Time is owned as to 50%, 25% and 25% by each of Mr. JX Liang, Ms. Liang Zhimei and Mr. Zhang Zhiwei respectively. Each of Mr. JX Liang, Ms. Liang Zhimei and Mr. Zhang Zhiwei is deemed to be interested in the Shares held by Fortune Time pursuant to the SFO.*
2. *Ms. Liang Yingjun is the spouse of Mr. JX Liang. Therefore, Ms. Liang Yingjun is deemed to be interested in the Shares in which Mr. JX Liang is interested in for the purpose of the SFO.*
3. *Mr. Luo Yuanying is the spouse of Ms. Liang Zhimei. Therefore, Mr. Luo Yuanying is deemed to be interested in the Share in which Ms. Liang Zhimei is interested in for the purpose of the SFO.*
4. *Ms. Yu Xianghong is the spouse of Mr. Zhang Zhiwei. Therefore, Ms. Yu Xianghong is deemed to be interested in the Shares in which Mr. Zhang Zhiwei is interested in for the purpose of the SFO.*
5. *Century Great is wholly-owned by Mr. Law. Mr. Law is deemed to be interested in the Shares held by Century Great pursuant to the SFO.*

SHARE OPTION SCHEME

The Company has conditional adopted a share option scheme (the “**Share Option Scheme**”) on 23 June 2017. For the principal terms of the Share Option Scheme, please refer to “D. Share Option Scheme” in Appendix V to the Prospectus.

Up to the date of this report, 40,000,000 share options have been granted by the Company pursuant to such Share Option Scheme.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2018.

DIRECTORS’ INTERESTS IN CONTRACTS

As at 31 March 2018, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

Management Discussion and Analysis (Continued)

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

As at 31 March 2018, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions up to the date of this report.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that up to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in Appendix 15 – Corporate Governance Code to the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Dakin Capital Limited (the “**Dakin Capital**”) as the compliance adviser. The Dakin Capital, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Except for the compliance adviser agreement entered into between the Company and the compliance adviser dated 20 October 2017, neither the compliance adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

Management Discussion and Analysis (Continued)

AUDIT COMMITTEE

Pursuant to Rule 5.28 and 5.29 of the GEM Listing Rules, the Company established an audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Wong Sui Chi (chairman), Ms. Hua Min and Ms. Xiao Ping, all of whom are independent non-executive Directors.

The Audit Committee had reviewed with the management of the Company the accounting principles and practices adopted by the Group and this report. The condensed consolidated financial results for the three months ended 31 March 2018 are unaudited, but have been reviewed by the Audit Committee.

By order of the Board

Wan Cheng Metal Packaging Company Limited

Liang Junqian

Chairman and executive Director

Hong Kong, 10 May 2018

As at the date of this report, the executive Directors are Mr. Liang Juncheng, Mr. Liang Junqian and Mr. Chan Kit Lung Andy and the independent non-executive Directors are Mr. Wong Sui Chi, Ms. Hua Min and Ms. Xiao Ping.