

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

2018
ANNUAL REPORT

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

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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.

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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.

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Corporate Information

DIRECTORS

Executive Directors:

Mr. Liang Junqian (*Chairman*)
Mr. Chan Kit Lung Andy (*Chief Executive Officer*)
(redesignated on 15 August 2018)
Ms. Liang Yingjun (appointed on 15 August 2018)
Mr. Liang Juncheng (retired on 15 August 2018)

Independent Non-executive Directors:

Mr. Wong Sui Chi
Ms. Hua Min
Ms. Xiao Ping

AUDIT COMMITTEE

Mr. Wong Sui Chi (*Chairman*)
Ms. Hua Min
Ms. Xiao Ping

REMUNERATION COMMITTEE

Ms. Hua Min (*Chairman*)
Mr. Wong Sui Chi
Ms. Xiao Ping

NOMINATION COMMITTEE

Ms. Xiao Ping (*Chairman*)
Mr. Wong Sui Chi
Ms. Hua Min

COMPANY SECRETARY

Mr. Chiu Wai Yip Raymond

COMPLIANCE OFFICER

Mr. Chan Kit Lung Andy

AUTHORISED REPRESENTATIVES

Mr. Chan Kit Lung Andy
Mr. Chiu Wai Yip Raymond

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 3 Huada Road
Hi-tech Industrial Development Zone
Ronggui Street, Shunde District
Foshan City, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1203, 12th Floor
Shanghai Industrial Investment Building
60 Hennessy Road, Wanchai
Hong Kong

Corporate Information (Continued)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suite 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Bank of China
Bank of China Tower
1 Garden Road
Hong Kong

Guangdong Shunde Rural Commercial
Bank Company Limited, Ronggui Branch
No. 208 Guizhou Avenue
Ronggui, Shunde District
Foshan City
Guangdong Province
PRC

COMPLIANCE ADVISER

Dakin Capital Limited
Suites 4505-06, 45/F
Tower 1, Lippo Centre
89 Queensway
Hong Kong

AUDITORS

Elite Partners CPA Limited
Certified Public Accountants
10/F., 8 Observatory Road
Tsim Sha Tsui
Hong Kong

STOCK CODE

8291

COMPANY'S WEBSITE

www.wanchengholdings.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of Wan Cheng Metal Packaging Company Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2018.

On 18 July 2017, the shares of the Company were successfully listed on the GEM of the Stock Exchange (the "Listing"). On behalf of the Group, I would like to express our deep gratitude towards all parties who have assisted us in building our business over the years and during the preparation process of the Listing. The fund raised from the placing of shares of the Company will be used to promote the future development of the Group.

Over the years, our outstanding production management expertise and extensive industry experience have differentiated ourselves from other low end manufacturers in China. Whilst the increasing costs in China will undoubtedly cause many weaker manufacturers to lose their advantages and finally go out of business, the resulting consolidation of China's manufacturing industry provides a much less crowded marketplace for surviving companies. We possess the management capability to overcome difficulties, and our ability to significantly improve our cash flows despite a difficult external environment in 2018, i.e. China-United States trade war, increasing manufacturing costs and cost of raw materials. We remain optimistic about the Group's prospect.

Lastly, on behalf of the Board and the management of the Group, I would like to express my sincere gratitude to all our staff for their unremitting efforts in 2018 and to all shareholders for their full support. I would also like to express my heartfelt thanks to all shareholders, investors, customers, suppliers and business partners for their valuable support.

On behalf of the Board,

Mr. Liang Junqian

Chairman

Hong Kong, 27 March 2019

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 of the Stock Exchange on 18 July 2017 (the “Listing Date”). Since the listing of the Company’s shares on the GEM of the Stock Exchange, there has been no significant change in the business operations of the Group.

BUSINESS REVIEW AND PROSPECT

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

The Group recorded a decrease in revenue by approximately RMB10.3 million, or approximately 8.2%, from approximately RMB125.7 million for the year ended 31 December 2017 to approximately RMB115.4 million for the year ended 31 December 2018, which was contributed by the decrease in sales order of the Group’s tinplate packaging products which may caused by the uncertainties under the shadow of China – United States trade war.

The loss for the year ended 31 December 2018 was approximately RMB7.9 million as compared to loss for the year of approximately RMB3.6 million for the year ended 31 December 2017. Such increase was mainly due to the recognition of share-based payment of approximately RMB5.9 million and expected credit loss recognised under HKFRS 9 of approximately RMB7.1 million for the year ended 31 December 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:

- (a) For tin cans, the Group upgraded 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.
- (b) 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.

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 plan to expand the sales team with experienced staff in order to focus on the soliciting of new customers for its product portfolio. Despite of the uncertainties of China-United States trade war, the Group aim 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.

Management Discussion and Analysis (Continued)

DEBTS AND CHARGE ON ASSETS

The Group had total borrowings of RMB40.0 million and RMB39.0 million as at 31 December 2018 and 31 December 2017 respectively.

The bank borrowings and other banking facilities are secured by:

- (a) Pledge of buildings held by the Group with net carrying amount of approximately RMB4.8 million and approximately RMB5.5 million as at 31 December 2018 and 31 December 2017 respectively;
- (b) Pledge of payments for leasehold land held for own use under operating lease by the Group with net carrying amount of approximately RMB5.8 million and approximately RMB6.0 million as at 31 December 2018 and 31 December 2017 respectively; and
- (c) Pledged bank deposits of approximately RMB4.2 million and approximately RMB1.1 million as at 31 December 2018 and 31 December 2017 respectively.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2018 and 31 December 2017 is amounted to approximately RMB6.0 million and approximately RMB6.0 million, respectively.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2018 and 31 December 2017 is amounted to RMB6.0 million and RMB25.0 million, respectively.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS FROM THE SHARE OFFER

The Company successfully listed on the GEM of the Stock Exchange on 18 July 2017 and 100,000,000 ordinary shares were issued at HK\$0.65 per share by way of share offer ("Share Offer"). Net proceeds from the Share Offer was approximately HK\$33.4 million (after deducting the underwriting fees and other related expenses).

These proceeds are designated for the purposes in accordance the Company's prospectus dated 29 June 2017 ("Prospectus"), which is (i) approximately 56.1% of the net proceeds, representing approximately HK\$18.7 million to purchase of one new production line for production of steel pails, (ii) approximately 10.2% of the net proceeds, representing approximately HK\$3.4 million to upgrade of the Group's existing production line, (iii) approximately 27.4% of the net proceeds, representing approximately HK\$9.2 million to repay bank loan and (iv) approximately 6.3% of the net proceeds, representing approximately HK\$2.1 million for general working capital purposes.

Management Discussion and Analysis (Continued)

As at 31 December 2018, the Group's planned application and actual utilisation of the net proceeds are set out below:

Use of proceeds	Net proceeds HK\$ million	Utilised HK\$ million
Purchase of production line for production of steel pails	18.7	18.7
Upgrade of existing production lines	3.4	3.4
Partial repayment of bank loan	9.2	9.2
General working capital	2.1	2.1
	33.4	33.4

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2018, the Group derived the revenue principally from the sale of tinplate packaging products in the PRC and Hong Kong. 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 decreased by approximately RMB13.2 million, or approximately 20.7%, from approximately RMB63.9 million for the year ended 31 December 2017 to approximately RMB50.7 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in sales order during the year ended 31 December 2018.

Revenue from the sales of steel pails, which have relatively higher average selling price per unit than tin cans, increased by approximately RMB2.4 million, or approximately 4.9%, from approximately RMB49.3 million for the year ended 31 December 2017 to approximately RMB51.7 million for the year ended 31 December 2018. Such increase was mainly due to the increase of average selling price during the year ended 31 December 2018.

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 decreased by approximately RMB13.4 million, or approximately 13.4% from approximately RMB100.0 million for the year ended 31 December 2017 to approximately RMB86.6 million for the year ended 31 December 2018. Such decrease was consistent with decrease in revenue.

Gross profit and gross profit margin

Gross profit increased from approximately RMB25.7 million for the year ended 31 December 2017 to approximately RMB28.9 million for the year ended 31 December 2018.

Gross profit margin increased from approximately 20.5% for the year ended 31 December 2017 to 25.0% for the year ended 31 December 2018. The increase was mainly due to the increase in average selling price for the year ended 31 December 2018.

Management Discussion and Analysis (Continued)

Other income and gains

Other income and gains mainly represents the government grant, sales of scrap materials, interest income from bank deposits and bad debt recovered, which decreased from approximately RMB3.6 million for the year ended 31 December 2017 to approximately RMB1.9 million for the year ended 31 December 2018. The decrease was mainly due to the increase in other income and gains of approximately RMB1.2 million notwithstanding it had partially offset by the decrease in government grant of approximately RMB2.2 million in the year ended 31 December 2018 as compared to the year ended 31 December 2017.

Selling expenses

The Group's selling expenses mainly included transportation costs for its logistic team, staff costs, entertainment expenses and consumables were approximately RMB3.0 million and RMB6.4 million for the year ended 31 December 2017 and 2018 respectively. The increase was mainly due to the advertising activities performed during the year ended 31 December 2018 which amounting to approximately RMB4.4 million.

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 slightly decrease in administrative and other expenses by approximately RMB0.7 million, or approximately 3.1%, from approximately RMB22.8 million for the year ended 31 December 2017 to approximately RMB22.1 million for the year ended 31 December 2018.

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 7.0%, from approximately RMB2.7 million for the year ended 31 December 2017 to approximately RMB2.8 million for the year ended 31 December 2018. Such increase was mainly due to the higher interest rate of bank borrowings in the year ended 31 December 2018 as compared to the year ended 31 December 2017.

Loss for the year

As a result of the cumulative factors discussed above, the loss for the year was approximately RMB7.9 million as compared to loss for the year of approximately RMB3.6 million for the year ended 31 December 2017. Such decrease was mainly due to the recognition of share-based payment of approximately RMB5.9 million and expected credit loss recognised under HKFRS 9 of approximately RMB7.1 million during the year ended 31 December 2018.

Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group funded its liquidity primarily through cash inflows operating activities.

As at 31 December 2018, the Group's total cash and bank balances were approximately RMB5.7 million (31 December 2017: approximately RMB44.2 million). Gearing ratio of the Group remained relatively stable at approximately 42.0% and 42.9% as at 31 December 2017 and 2018 respectively.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that it can meet the funding requirements.

KEY PERFORMANCE INDICATORS ("KPIs") WITH THE STRATEGY OF THE GROUP

An analysis of the Group's performance during the period using KPIs in the section "Financial Review" on pages 7 to 8 of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 December 2018.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed 199 employees (31 December 2017: 245 employees). Staff costs of the Group (including Directors' remuneration, wages, salaries and other benefits and contribution to defined contribution pension plans) amounted to approximately RMB11.0 million for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately RMB12.8 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' overall remuneration is determined based on the Group's and the employees' qualifications and performance.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investment for the year ended 31 December 2018.

Management Discussion and Analysis (Continued)

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 year ended 31 December 2018, the Group did not hedge any exposure to foreign exchange risk.

CAPITAL STRUCTURE

As at 4 May 2016, the Company's issued share capital was HK\$3,000,000 and the number of its issued ordinary share was 300,000,000 of HK\$0.01 each. As at Listing Date, the Company's issued share capital was increased to HK\$4,000,000 and the number of its issued ordinary shares was 400,000,000 of HK\$0.01 each. There has been no change in the capital structure of the Company since then.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this annual report, the Group did not have other plans for material investments or capital assets as at 31 December 2018.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liang Junqian, aged 71, is the Chairman of the Board and an executive Director. He is responsible for the overall strategic development and planning, and customer relationship management of the Group. Mr. Liang has over 13 years of experience in the tinplate packaging industry and around 19 years of experience in paint and coatings industry. He served as a director of Foshan City Shunde Wancheng Metal Packaging Company Limited (“Wancheng Shunde”), the operating subsidiary of the Company since December 2003. He is a brother of Mr. Liang Juncheng, a former executive director.

Mr. Chan Kit Lung Andy, aged 38, is an executive Director since May 2016. Mr. Chan is mainly responsible for the strategic development and overall management of the business operations and compliance functions of the Group. Since joining the Group, he has been involved in the making of strategic development plans of the Group by using his business network and expertise in the field of chemical products to provide insights on the trend of the customers’ paint and coatings industry and analysis on the customers’ needs on the paint and coatings packaging product. Before joining the Group, Mr. Chan was a director of a company which was incorporated in the United Kingdom and principally engaged in the trading of cosmetics from June 2010 to January 2013. Mr. Chan received a bachelor degree of science in chemistry from University College London in the United Kingdom in August 2003 and a master degree of science in chemical research from Queen Mary and Westfield College (currently known as Queen Mary University of London) in the United Kingdom in November 2005. Mr. Chan has been a member of the Royal Society of Chemistry in the United Kingdom since April 2016. Mr. Chan has also been President of the Hong Kong Industrial and Commercial Association Youth Link since March 2015.

Ms. Liang Yingjun, aged 38, currently services as the general manager of Foshan City Shunde Wancheng Metal Packaging Company Limited, the PRC operating subsidiary of the Group. She has years of experience in banking, insurance and property development industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sui Chi, aged 51, is an independent non-executive Director since February 2017. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee. Mr. Wong has over 20 years of finance and accounting experience. He has been serving as the financial controller of a company which is principally engaged in retailing and wholesaling of eyewear products since March 2012. He has also been serving as an independent non-executive director of BCI Group Holdings Limited (a company listed on the Stock Exchange (stock code: 8412)) since March 2017. Mr. Wong was an independent non-executive director of U Banquet Group Holding Limited (a company listed on the Stock Exchange (stock code: 1483)) from November 2013 to October 2016. He was also an independent non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Stock Exchange (stock code: 1355)) from December 2012 to July 2015. Mr. Wong received a bachelor degree in accountancy from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1991, a master degree of science in financial management from the University of London in December 2003 and a certificate in taxation and accounting in PRC from The Hong Kong Polytechnic University China Business Centre in August 2004. Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since April 2008 and an associate of the Institute of Chartered Accountants in England and Wales since July 2008.

Biographical Details of Directors and Senior Management (Continued)

Ms. Hua Min, aged 35, is an independent non-executive Director since February 2017. She is also the chairman of the remuneration committee and a member of each of the audit committee and nomination committee. Ms. Hua has been a practicing lawyer and partner of Guangdong Benwu Law Firm (廣東本務律師事務所) since March 2017 and of Guangdong Tong Jian Law Firm* (廣東通建律師事務所) from November 2013 to March 2017. Ms. Hua was accredited as a PRC lawyer by the Ministry of Justice of the PRC in October 2008. She served as a practicing lawyer of Guangdong Tong Fa Zheng Cheng Law Firm (廣東通法正承律師事務所) from October 2008 to September 2010 and from June 2011 to November 2013. Ms. Hua received a bachelor degree in law from Harbin University of Commerce (哈爾濱商業大學) in the PRC in July 2005 and a master degree in law majoring in international law from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2007.

Ms. Xiao Ping, aged 36, is an independent non-executive Director since February 2017. She is also the chairman of the nomination committee and a member of each of the audit committee and remuneration committee. Ms. Xiao has been a practicing lawyer and partner of Guangdong Shangyao Law Firm (廣東尚堯律師事務所) since April 2017 and was a practicing lawyer of Guangdong Guolong Law Firm (廣東國龍律師事務所) from October 2013 to April 2017. Ms. Xiao was accredited as a PRC lawyer by the Ministry of Justice of the PRC in January 2013. She was an assistant lecturer in law of Technological Vocational College of Dezhou (德州科技職業學院) from October 2006 to October 2008. Ms. Xiao received a bachelor degree in law from Harbin University of Commerce (哈爾濱商業大學) in the PRC in July 2005 and a master degree in law majoring in civil and commercial law from Guangdong University of Business (廣東商學院) (currently known as Guangdong University of Finance and Economics (廣東財經大學)) in June 2011.

SENIOR MANAGEMENT

Mr. He Jieming, aged 48, is the deputy general manager of Wancheng Shunde and responsible for the overall day-to-day administration and management of the Group. Mr. He has over 19 years of experience in the tinplate packaging industry. Mr. He joined the Group in August 1997 as the sales manager of Wancheng Shunde and was promoted to the current position in June 2015.

Mr. Ye Zhijian, aged 35, is the chief officer of the quality control team of the production department of Wancheng Shunde, which is responsible for the overall quality control of the Group. Mr. Ye has approximately 12 years of experience in the tinplate packaging industry. Mr. Ye joined the Group as a production assistant of Wancheng Shunde in November 2004 and was promoted to the current position in April 2014.

Ms. Feng Yanqun, aged 50, is the accounting manager of Wancheng Shunde and responsible for the overall financial administration and inventory management of Wancheng Shunde. Ms. Feng has approximately 14 years of experience in accounting and inventory management. Ms. Feng joined the Group as an accounting officer of Wancheng Shunde in January 2002 and was promoted to the current position in October 2014. Ms. Feng received the certificate of accounting professional from the Shunde Finance Bureau in September 2004.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Except for the following deviations, the Board is satisfied that the Company had complied with the CG Code during the year ended 31 December 2018.

Code provision E.1.2 of the CG Code stipulates that the chairman should attend annual general meetings. Due to other business engagement, the chairman, Mr. Liang Junqian, was unable to attend the annual general meeting of the Company held on 12 June 2018.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Directors, Ms. Hua Min and Ms. Xiao Ping, was unable to attend the annual general meeting of the Company held on 12 June 2018. For deviations from code provision A.6.7 and E.1.2 of the CG Code, the Company Secretary had reminded the chairman and the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2018.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2018, the Board comprised of three executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Liang Junqian (*Chairman*)
 Mr. Chan Kit Lung Andy (*Chief Executive Officer*)
 Ms. Liang Yingjun

Independent Non-executive Directors

Mr. Wong Sui Chi
 Ms. Hua Min
 Ms. Xiao Ping

Corporate Governance Report (Continued)

FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the chief executive officer and senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The abovementioned personnel should report back and obtain prior approval from the Board before making any significant decisions or entering into any significant commitments on the Company's behalf, and they may not exceed any authority given to them by resolutions of the Board or the Company.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinise the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

The Company has arranged appropriate insurance cover for Directors' liabilities in respect of legal actions against them for corporate activities.

BOARD/BOARD COMMITTEE MEETINGS

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. An agenda and accompanying papers together with all appropriate information will be sent to all Directors at least three days before each Board or committee meeting so as to ensure timely access to relevant information. Appropriate notice of at least 14 days for regular Board meetings and reasonable notice for other Board committee meetings will be given to all Directors, who will all be given an opportunity to attend and include matters in the agenda for discussion. Senior management will be invited to join all Board meetings to enhance communication between the Board and management. The Board and each Director will also have separate and independent access to senior management whenever necessary. The company secretary will take detailed minutes of the meetings and keep records of matters discussed and decisions resolved at the meetings, including any concerns raised or dissenting views expressed by Directors, and the voting results of Board meetings fairly reflect Board consensus. Both draft and final versions of the minutes will be sent to all Directors for their comments and records respectively, within a reasonable time after each meeting, and such minutes will be open for inspection with reasonable advance notice by any Director. Directors are entitled to have access to board papers and related materials, and any queries will be responded to fully. There were 9 board meetings held during the year ended 31 December 2018.

Corporate Governance Report (Continued)

Upon reasonable request to the Board, the Directors can seek independent professional advice in performing their duties at the Company's expense, if necessary. According to the current Board's practice, should a potential conflict of interest involving a substantial shareholder or Director of the Company arise, the matter will be discussed in a Board meeting, as opposed to being dealt with by written resolution. Independent non-executive Directors with no conflict of interest will be present at such meetings. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director concerned will declare his/her interest and abstains from voting.

Meetings Held and Attendance

The composition of the Board and the committees, and the individual attendance records of each Director at the Board and committees' meetings, and general meetings during the year ended 31 December 2018 are set out below:

Name of Directors	Board meetings	Meetings attended/Meetings held			General meetings
		Audit committee meetings	Remuneration committee meetings	Nomination committee meetings	
Executive Directors					
Mr. Liang Junqian (<i>Chairman</i>)	9/9	N/A	N/A	N/A	0/1
Mr. Chan Kit Lung Andy (<i>Chief Executive Officer</i>)	9/9	N/A	N/A	N/A	0/1
Ms. Liang Yingjun (appointed on 15 August 2018)	1/1	N/A	N/A	N/A	0/0
Mr. Liang Juncheng (retired on 15 August 2018)	8/8	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Wong Sui Chi	9/9	4/4	3/3	2/2	1/1
Ms. Hua Min	9/9	4/4	3/3	2/2	0/1
Ms. Xiao Ping	9/9	4/4	3/3	2/2	0/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. In compliance with code provision D.3 of the CG Code, the Board as a whole is responsible for performing the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report (Continued)

CHAIRMAN AND CHIEF EXECUTIVE

The roles of chairman and chief executive officer are separate and the division of their responsibilities are clearly established. Mr. Liang Junqian is the chairman of the Board who is primarily responsible for formulating overall corporate strategies. Mr. Chan Kit Lung Andy is the chief executive officer of the Company who is primarily responsible for day-to-day management of the Group.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

During the year ended 31 December 2018, all Directors have participated in continuing professional development by attending training courses organised by the Company and reading relevant materials on topics related to corporate governance and regulatory matters. The Directors have confirmed that they have received the trainings as follows:

Name of Directors	Type of trainings
Mr. Liang Junqian (<i>Chairman</i>)	A, B
Mr. Chan Kit Lung Andy (<i>Chief Executive Officer</i>)	A, B
Ms. Liang Yingjun	A, B
Mr. Wong Sui Chi	A, B
Ms. Hua Min	A, B
Ms. Xiao Ping	A, B

A: *attending seminars/conferences/forums*

B: *reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities*

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, the remuneration committee and the nomination committee, to oversee particular aspects of the Company's affairs. All Board committees are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.wanchengholdings.com. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

Corporate Governance Report (Continued)

Audit Committee

The Company established an audit committee on 14 February 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and Code Provision C.3 of the CG Code. The duties of the audit committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the Company's financial statements, the annual report and accounts, the half-year report and quarterly report, and significant financial reporting judgements contained therein; and (c) reviewing the financial controls, internal control and risk management systems.

The audit committee consists of three independent non-executive Directors, namely Mr. Wong Sui Chi, Ms. Hua Min and Ms. Xiao Ping. Mr. Wong Sui Chi is the chairman of the audit committee. During the year ended 31 December 2018, four meetings were being held for audit committee.

Remuneration Committee

The Company established a remuneration committee on 14 February 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and Code Provision B.1 of the CG Code. The duties of the remuneration committee, under the principle that no Director should be involved in deciding his own remuneration include, among others, making recommendations to the Board on (a) their overall remuneration policy and structure for all of the Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of the non-executive Directors.

The remuneration committee consists of three independent non-executive Directors, namely Ms. Hua Min, Mr. Wong Sui Chi and Ms. Xiao Ping. Ms. Hua Min is the chairman of the remuneration committee. During the year ended 31 December 2018, three meetings were being held for remuneration committee.

Nomination Committee

The Company established a nomination committee on 14 February 2017 with written terms of reference in compliance with Code Provision A.5 of the CG Code. The duties of the nomination committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on the appointment and succession planning for the Directors.

The nomination committee consists of three independent non-executive Directors, namely Ms. Xiao Ping, Mr. Wong Sui Chi and Ms. Hua Min. Ms. Xiao Ping is the chairman of the nomination committee. During the year ended 31 December 2018, two meetings were being held for nomination committee.

Corporate Governance Report (Continued)

Board Diversity

The Board adopted the view of Board diversity approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. The Board will consider a number of aspects when selecting candidates, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will ultimately be based on merit and the contribution that the selected candidates will bring to the Board, having due regard for the benefits of diversity on the Board.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business.

Accordingly, the Board has prepared the financial statements of the Company on a going concern basis. The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are reasonable in accordance with applicable accounting standards.

The responsibility of the Company's auditor, Elite Partners CPA Limited, are set out in the section "Independent Auditor's Report" on pages 31 to 35 of this annual report.

For the year ended 31 December 2018, the fees in respect of the audit services provided to the Group by Elite Partners CPA Limited, are set out as follows:

Nature of services	For the year ended 31 December 2018 RMB'000
Audit services	448
Other services	-

Corporate Governance Report (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

The Group recognise the need for risk management and internal control in its strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks that may impact the continued efficiency and effectiveness of the Group's operations or prevent it from achieving its business objectives. Details on risks faced by the Group is set out in the section "Principal Risks and Uncertainties" on pages 23 to 24 of this annual report. All such risks may arise from time to time in connection with the operations of the Group.

The Board and senior management are responsible for identifying and analysing the risks associated with their respective function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management.

The Group have established the following structures and measures to manage its risks:

- (i) the Board conducts a thorough examination of any material risks associated with any material business decision before making or approving such decision;
- (ii) the senior management monitors daily operations and any associated operational risks of the Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks;
- (iii) the audit committee review the internal control system and procedures for compliance with the requirements of applicable laws, rules and regulations;
- (iv) the accounting department frequently monitors and tracks the ageing of the trade receivables to ensure prompt billings and hence encourage prompt settlements. The status of any outstanding/unsettled payments owed to the Group is updated periodically to ensure that timely and necessary steps are taken, including issuing written reminders, telephone calls and legal actions, so as to recover the outstanding trade receivables;
- (v) the Directors and senior management regularly attended training sessions regarding the material PRC laws and regulations applicable to the Group's business operations;
- (vi) the Group have appointed Dakin Capital Limited as its compliance adviser to advise the Group on GEM Listing Rules compliance matters; and
- (vii) the Group provide training to its employees in order to enhance their industry knowledge to manage the Group's operational risks.

In addition, the Group would appoint (i) an internal control consultant to provide advice and review the internal control system regarding internal control matters on a regular basis; and (ii) external Hong Kong and PRC legal advisers to advise us on compliance with and to provide us with updates on the changes in the GEM Listing Rules and the applicable Hong Kong and PRC laws, rules and regulations from time to time and as required. With the assistance of these external legal advisers, the compliance adviser, internal control consultant, compliance officer and company secretary, the Group aim to maintain effective internal control system and corporate governance measures, as well as ensure that the Group's operations are in compliance with the applicable laws, rules and regulations with respect to the Group business operations in the PRC and Hong Kong.

Corporate Governance Report (Continued)

COMPANY SECRETARY

Mr. Chiu Wai Yip Raymond is the company secretary of the Group. Mr. Chiu is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Association of Chartered Certified Accountants.

For the year ended 31 December 2018, Mr. Chiu has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Chan Kit Lung Andy, an executive Director, is the compliance officer of the Group. Please refer to his biographical details as set out on page 11 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors of the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this annual report.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. All general meetings, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Procedures for Nominating a New Director

Pursuant to article 111 of the articles of association of the Company ("Articles of Association"), subject to the Articles and the Companies Law of the Cayman Islands, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

Procedures for Convening EGM

Pursuant to article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. Any one or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business in Hong Kong for the attention of the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit, the Board fails to proceed duly to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Corporate Governance Report (Continued)

Procedures for Sending Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for Putting forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time.

However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.wanchengholdings.com.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there had been no significant change in the Company's constitutional documents. The Memorandum and Articles of Association are available on the websites of the Stock Exchange and the Company.

Directors' Report

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

Details of the discussion and analysis of the principal activities, including a business review, of the Group for the year ended 31 December 2018, can be found in the section "Management Discussion and Analysis" as set out on pages 5 to 10 of this annual report. These discussions form part of this Directors' report.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statements of profit or loss and other comprehensive income on page 36 of this annual report.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 89 of this annual report. The summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 38 and note 33 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 14 to the consolidated financial statements.

Directors' Report (Continued)

SHARE CAPITAL

Details of the movements during the year ended 31 December 2018 in the share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law of the Cayman Islands, share premium and retained profits of the Company are distributable to the shareholders. As at 31 December 2018, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately RMB53.6 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the largest customer accounted for approximately 34.2% (2017: 29.6%) of the total revenue. For the year ended 31 December 2018, the percentage of revenue derived from the five largest customers in aggregate was approximately 69.5% (2017: 47.5%).

For the year ended 31 December 2018, the largest supplier accounted for approximately 34.4% (2017: 46.1%) of the total purchases. For the year ended 31 December 2018, the five largest suppliers in aggregate accounted for approximately 78.1% (2017: 80.0%) of the total purchases.

None of the Directors, their respective close associates or any shareholder of the Company (which, to the best knowledge of the Directors, own more than 5% of the issue share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and suppliers during the year ended 31 December 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group.

Business risk

The customer base of the Group mainly comprised paint and coatings suppliers and other manufacturers of packaging products. One and four of the five largest customers are located in Guangdong Province and Hong Kong respectively. As such, the business performance is affected by the general economic environment of the downstream industries, especially the paint and coatings industry in Guangdong Province and Hong Kong which may be affected by various factors beyond the Group's control, including but not limited to GDP growth rate, consumer confidence, levels of inflation, unemployment levels and interest rates. A slowdown in the downstream industries may in turn result in decreased demand for the Group's products and ultimately a material adverse effect on the Group's business, financial position and results of operations.

Directors' Report (Continued)

Reliance on major customers

Sales to the Group's five largest customers for the year ended 31 December 2018 accounted for approximately 69.5% of the total revenue. The Group do not enter into any long-term contract with purchase obligations with these customers and cannot assure you these five largest customers will continue to do business with the Group at the same or increased levels or at all. If any of the major customers were to substantially reduce the volume and/or the value of their businesses with the Group and the Group were unable to expand its business with existing customers or attract new customers at desired levels, the Group may experience slower or no growth at all or decrease in revenue, and the Group's business, financial position and results of operations would be materially and adversely affected.

Reliance on major suppliers

Purchases from the Group's five largest suppliers for the year ended 31 December 2018 accounted for approximately 78.1% of the total purchases. Purchases from the largest supplier for the year ended 31 December 2018 accounted for approximately 34.4% of the total purchases.

The Group do not enter into long-term contract with purchase obligations with its suppliers. There is no guarantee that the Group will not suffer from any shortage of suppliers in the future. Should any of the major suppliers reduce the volume supplied to the Group, the Group may need to find alternative suppliers on similar sale terms and conditions acceptable. If the Group fail to do so in a timely manner, its production may have to be interrupted, its production costs may increase and the business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

Reliance on raw materials

During the year under review, the costs of raw materials mainly represented tinplate coil consumed. The Group's ability to pass on such raw material cost increases is, to a large extent, subject to the intensity of market competition and the general economic conditions. In addition, there is no assurance that the Group can continue to secure adequate supplies of tinplate coil at a competitive cost level to meet its production requirements, particularly in periods of high demand. Therefore, the revenue and profitability of the Group may be adversely affected in the event of unsteady supply or price fluctuation of tinplate coil for the production.

ENVIRONMENTAL POLICY

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to avoid material environmental pollution, and ensure our compliance of prevailing environmental protection laws and regulations.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the GEM. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2018, the Company complied with the relevant laws and regulations in the PRC and Hong Kong in all material respects.

Directors' Report (Continued)

KEY RELATIONSHIPS

Employees

The Company recognises that employees are a valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Suppliers

The Group selects the suppliers based on a number of criteria including but not limited to their product quality, pricing, supply capability and business track record with the Group. The Directors take the view that due to their experience in the tinsplate packaging industry, they strive to safeguard the safety and quality of the Group's production materials. Hence, the Directors are capable of identifying suitable suppliers based on the aforesaid criteria. The Group regularly conducts on-site inspections of the suppliers' production facilities, reviews their background information and licences, including their business licence(s) and requisite certifications. As such, the Group has compiled and maintained a list of approved suppliers. These suppliers or any one of them would be removed from the list should they fail to satisfy the Group's quality and service requirements upon periodic review by the Group's production team and quality control team.

Customers

During the year ended 31 December 2018, the Group sold the tinsplate packaging products directly to the customers predominantly in the Guangdong Province and Hong Kong, which mainly comprising paint and coatings suppliers and other manufacturers of packaging products. The Group stays connected with its customers and has ongoing communication with the customers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were as follows:

Executive Directors

Mr. Liang Junqian (*Chairman*)

Mr. Chan Kit Lung Andy (*Chief Executive Officer*) (redesignated on 15 August 2018)

Ms. Liang Yingjun (appointed on 15 August 2018)

Mr. Liang Juncheng (retired on 15 August 2018)

Independent Non-executive Directors

Mr. Wong Sui Chi

Ms. Hua Min

Ms. Xiao Ping

Pursuant to the Articles of Association, Mr. Liang Junqian, Ms. Liang Yingjun and Ms. Hua Min will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report (Continued)

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company. The service contracts are initially for a fixed term of three years commencing from the execution date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. Each of the independent non-executive Directors are appointed with an initial term of three years commencing from the execution date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any of the subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save for the related party transactions disclosed in note 27 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, or holding company was a party and in which a Director or an entity connected with a Director had a material interests, whether directly or indirectly, subsisted during or at the end of the year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 under the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in this annual report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year ended 31 December 2018.

Directors' Report (Continued)

EMOLUMENT POLICY FOR DIRECTORS

The remuneration committee of the Company is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The Company's policies concerning remuneration of Directors are: (1) the amount of remuneration payable to the Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group by the relevant Director; and (2) the Directors may be granted, at the discretion of the Board, share options of the Company, as part of the remuneration package.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

- the Articles of Association of the Company;
- the applicable restrictions and requirements under the laws of the Cayman Islands;
- any banking or other funding covenants by which the Company is bound from time to time;
- the investment and operating requirements of the Company; and
- any other factors that have material impact on the Company.

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 has been granted by the Company pursuant to such Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one share of HK\$0.01 each of the Company.

Details of grantees	No. of options outstanding	Date granted	Periods during which options are exercisable	Exercise price per share
Consultants, employees and others	40,000,000	17 April 2018	17 April 2018 to 16 April 2028	HK\$0.375 per share

Directors' Report (Continued)

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year ended 31 December 2018, except for those disclosed in note 27 to the consolidated financial statements, the Group had no material transactions with its related parties.

The Directors conducted review of the related party transactions of the Group during the year ended 31 December 2018 and were not aware any transaction requiring disclosure of connected transactions in accordance with the requirements of the GEM Listing Rules.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company 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, are as follows:

Long position in the shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares held/interested in	Approximate percentage of shareholding
Ms. Liang Yingjun ("Ms. Liang") (Note 1)	Interest in spouse	124,875,000	31.22%

Note:

- Ms. Liang is the spouse of Mr. Liang Jianxun ("Mr. JX Liang"). Mr. JX Liang beneficially owns 50% of the issued share capital of Fortune Time Enterprises Limited ("Fortune Time"). By virtue of the SFO, Mr. JX Liang is deemed to be interested in 124,875,000 shares held by Fortune Time Enterprises Limited. Therefore, Ms. Liang is deemed to be interested in the shares in which Mr. JX Liang is interested in for the purpose of the SFO.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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.

Directors' Report (Continued)

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

As at 31 December 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 (<i>Note 1</i>)	Beneficial owner	124,875,000	31.22%
Mr. JX Liang (<i>Note 1</i>)	Interest in a controlled corporation	124,875,000	31.22%
Ms. Liang Zhimei (<i>Note 1</i>)	Interest in a controlled corporation	124,875,000	31.22%
Mr. Zhang Zhiwei (<i>Note 1</i>)	Interest in a controlled corporation	124,875,000	31.22%
Mr. Luo Yuanying (<i>Note 2</i>)	Interest of spouse	124,875,000	31.22%
Ms. Yu Xianghong (<i>Note 3</i>)	Interest of spouse	124,875,000	31.22%

Notes:

- 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.
- 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.
- 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.

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 year ended 31 December 2018.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

As at 31 December 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' Report (Continued)

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2018.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company has applied the principles and complied with all the applicable code provisions set out in Appendix 15 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 ("Dakin") as the compliance adviser. Dakin 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 Dakin dated 20 October 2017, neither Dakin 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 31 December 2018.

AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2018 have been reviewed by the audit committee of the Company. The audit committee is of the opinion that the financial statements of the Group for the year ended 31 December 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by Elite Partners CPA Limited, who will retire, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Elite Partners CPA Limited as auditor of the Company.

By order of the Board

Wan Cheng Metal Packaging Company Limited

Liang Junqian

Chairman

Hong Kong, 27 March 2019

Independent Auditor's Report



To the members of Wan Cheng Metal Packaging Company Limited

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wan Cheng Metal Packaging Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 36 to 88, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of recoverability of the trade receivables</p> <p>Refer to Note 5 (critical accounting estimates and judgements) and Note 17 to the consolidated financial statements.</p> <p>As at 31 December 2018, the net book value of trade receivables amounted to RMB58,868,000 (after the provision of RMB7,073,000), which approximated 33% of the Group's total assets.</p> <p>Management performed credit evaluations for the Group's customers and assessed expected credit losses of trade receivables. These assessments were focused on the customers' settlement history and their current ability to pay, and took into account information specific to respective customer as well as pertaining to the economic environment in which the customer operated.</p> <p>All of these assessments involved significant judgements of management.</p> <p>We focused on this area because management made subjective judgements over assessing the credit standing of the Group's customers and the estimation of expected credit losses of trade receivables.</p>	<p>Our major audit procedures to address the management's impairment assessment of trade receivable included the following:</p> <ul style="list-style-type: none"> • Understood and validated the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowance of receivables; • Tested on a sample basis, the accuracy of ageing profile of trade receivables by checking to the underlying sales invoices; • Tested on a sample basis, the subsequent settlement of trade receivables against bank receipts; and • Obtained management's assessment on the expected credit losses allowance of receivables. We corroborated and validated management's assessment based on the historical settlement pattern from the past 3 years, correspondence with the customers, evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers and market research regarding the relevant forward-looking information such as macroeconomic factors used in management's assessment. <p>Based upon the above, we found that the estimation and judgement made by management in respect of the expected credit losses allowance and the collectability of receivables were supportable by the available evidence.</p>

Independent Auditor's Report (Continued)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. Audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report (Continued)

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy, Practising Certificate number: P05898.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 27 March 2019
10/F, 8 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
Revenue	7	115,438	125,691
Cost of sales		(86,577)	(99,980)
Gross profit		28,861	25,711
Other income and gains	7	1,921	3,589
Selling expenses		(6,436)	(3,018)
Administrative and other expenses		(22,050)	(22,762)
Impairment on financial asset at amortised cost		(7,073)	–
Finance costs	8	(2,840)	(2,655)
(Loss)/profit before income tax	9	(7,617)	865
Income tax expense	11	(304)	(4,419)
Loss for the year		(7,921)	(3,554)
Other comprehensive income for the year:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		2,302	(1,882)
Total comprehensive loss for the year attributable to the owners of the Company		(5,619)	(5,436)
Loss per share (cents)			
– Basic and diluted	13	(1.98)	(1.03)

Consolidated Statement of Financial Position

				As at 31 December		
		Notes	2018 RMB'000	2017 RMB'000		
Non-current assets						
Property, plant and equipment		14	30,571	31,660		
Payments for leasehold land held for own use under operating lease		15	5,807	5,973		
			36,378	37,633		
Current assets						
Inventories		16	30,130	20,013		
Trade and bills receivables		17	58,868	73,506		
Prepayments, deposits and other receivables		18	45,816	17,028		
Pledged bank deposits		19	4,239	1,054		
Cash and cash equivalents			1,445	43,103		
			140,498	154,704		
Total assets			176,876	192,337		
Current liabilities						
Trade and bills payables		20	35,649	48,605		
Accruals and other payables		21	4,447	8,384		
Bank borrowings		22	40,000	39,000		
Income tax payable			1,098	1,156		
			81,194	97,145		
Net current assets			59,304	57,559		
Total assets less current liabilities			95,682	95,192		
Non-current liabilities						
Deferred tax liabilities		11	2,473	2,227		
Net assets			93,209	92,965		
Capital and reserve						
Share capital		23	3,372	3,372		
Reserves		24	89,837	89,593		
Total equity attributable to owners of the Company			93,209	92,965		

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Liang Junqian

Chan Kit Lung Andy

Consolidated Statement of Changes in Equity

	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2017 and 1 January 2018	3,372	87,552	3,826	7,200	-	1,725	(35,783)	25,073	92,965
Loss for the year	-	-	-	-	-	-	-	(7,921)	(7,921)
Other comprehensive loss: Exchange difference on translating foreign operations	-	-	-	-	-	2,302	-	-	2,302
Total comprehensive loss for the year	-	-	-	-	-	2,302	-	(7,921)	(5,619)
Issue of shares upon share offer	-	-	-	-	-	-	-	-	-
Transaction costs attributable to issue of shares upon share offer	-	-	-	-	-	-	-	-	-
Grant of share option	-	-	-	-	5,863	-	-	-	5,863
At 31 December 2018	3,372	87,552	3,826	7,200	5,863	4,027	(35,783)	17,152	93,209
At 31 December 2016 and 1 January 2017	2,505	38,089	3,826	7,200	-	3,607	(35,783)	28,627	48,071
Loss for the year	-	-	-	-	-	-	-	(3,554)	(3,554)
Other comprehensive loss: Exchange difference on translating foreign operations	-	-	-	-	-	(1,882)	-	-	(1,882)
Total comprehensive loss for the year	-	-	-	-	-	(1,882)	-	(3,554)	(5,436)
Issue of shares upon share offer	867	55,767	-	-	-	-	-	-	56,634
Transaction costs attributable to issue of shares upon share offer	-	(6,304)	-	-	-	-	-	-	(6,304)
At 31 December 2017	3,372	87,552	3,826	7,200	-	1,725	(35,783)	25,073	92,965

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax		(7,617)	865
Adjustments for:			
Interest income from bank deposits	7	(1)	(367)
Interest expenses	8	2,840	2,655
Loss on disposal of property, plant and equipment	9	–	9
Depreciation of property, plant and equipment	14	2,787	3,274
Amortisation of payments for leasehold land held for own use under operating lease	15	166	166
Share-based payment expenses		5,863	–
Impairment on financial assets at amortised cost		7,073	–
Operating profit before working capital changes		11,111	6,602
Increase in inventories		(10,117)	(2,510)
Decrease/(increase) in trade and bills receivables		7,565	(27,326)
Increase in prepayments, deposits and other receivables		(28,788)	(8,418)
(Decrease)/increase in trade and bills payables		(12,956)	4,703
(Decrease) in accruals and other payables		(3,937)	(2,221)
Cash used in operations		(37,122)	(29,170)
Income tax paid		(236)	(3,166)
Net cash used in operating activities		(37,358)	(32,336)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(572)	(23,722)
(Increase)/decrease in pledged bank deposits		(3,185)	2,139
Proceeds from disposal of property, plant and equipment		–	1
Bank interest received		1	367
Net cash used in investing activities		(3,756)	(21,215)
Cash flows from financing activities			
Proceeds from allotment and issue of ordinary shares		–	56,634
Expenses incurred in connection with the issue of shares		–	(6,304)
Interest paid		(2,840)	(2,655)
Proceeds from new bank borrowings		40,000	44,000
Repayments of bank borrowings		(39,000)	(44,000)
Net cash (used in)/generated from financing activities		(1,840)	47,675
Net decrease in cash and cash equivalents		(42,954)	(5,876)
Cash and cash equivalents at beginning of year		43,103	50,105
Effect on exchange rate changes on cash and cash equivalents		1,296	(1,126)
Cash and cash equivalents at end of year		1,445	43,103

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Wan Cheng Metal Packaging Company Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 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 Company is an investment holding company and its subsidiaries (collectively as the “Group”) are principally engaged in manufacturing and sales of tinplate packaging products in the PRC.

The shares of the Company have been listed on the GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 July 2017.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name	Country and date of incorporation/ establishment and form of business structure	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interests		Principal activities	Notes
			Direct	Indirect		
Able Hope Limited	The British Virgin Islands, 1 August 2014, limited liability company	US\$1 and HK\$5,999,994.2	100%	—	Investment holding	(1)
Wangchen Metal Works Company Limited	Hong Kong, 18 June 2003, limited liability company	HK\$10,000	—	100%	Investment holding	
佛山市順德區萬成金屬包裝有限公司(Foshan City Shunde Wancheng Metal Packaging Company Limited*)	The PRC, 27 June 1997, limited liability company	RMB3,000,000	—	100%	Manufacturing and sales of tinplate packaging products	(2)
Wan Cheng Group Limited	The British Virgin Islands, 13 November 2017, limited liability company	US\$1	100%	—	Investment holding	(1)
Wan Cheng Group (Hong Kong) Limited (萬成金屬集團有限公司)	Hong Kong, 30 November 2017, limited liability company	HK\$10,000	—	100%	Dormant	

Note:

(1) No audited statutory financial statements have been prepared for these subsidiaries as it is not required to issue audited financial statements under statutory requirements of its place of incorporation.

(2) The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 were audited by 廣東新祥和會計師事務所有限公司(Guangdong Xinxianghe Certified Public Accountants Co. Ltd.*).

* English translated names are for identification purpose only

Notes to the Consolidated Financial Statements (Continued)

2. BASIS OF PREPARATION

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year end 31 December 2018 have been prepared using the financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the relevant periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2018 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of the Group were consolidated using the carrying value from the perspective of the ultimate controlling shareholder. All significant intra-group transactions and balances have been eliminated on consolidated.

The consolidated financial statements has been prepared in accordance with the accounting policies set out in Note 4 below, which conform to HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and applicable disclosure provisions of the GEM Listing Rules throughout the relevant periods. All HKFRSs effective for accounting period commencing from 1 January 2017 together with the relevant transitional provisions have been early adopted by the Group in the preparation of the consolidated financial statements throughout the relevant periods.

Notes to the Consolidated Financial Statements (Continued)

2. BASIS OF PREPARATION (Continued)

The consolidated financial statements has been prepared under the historical cost.

The functional currency of the Company is Hong Kong dollar (“HK\$”). However, the consolidated financial statements is 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.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements are disclosed in Note 5.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (Continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

HKFRS 15 establishes a five-step model comprehensive framework for recognising revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group’s business model is straight forward and its contracts with customers for the manufacturing and sales of tinplate packaging products include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point in time when a customer obtains control of goods. The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group’s revenue recognition.

3.2 HKFRS 9 Financial Instruments

The Group has initially adopted HKFRS 9, Financial instruments from 1 January 2018. HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

Based on the assessment by the Group, there is no retrospective item that existed and no significant cumulative effect of the initial application of HKFRS 9 at 1 January 2018 in accordance with the transition requirement.

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises credit losses earlier than under the “incurred loss” model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, fixed deposits held at banks with maturity over three months, and trade and other receivables).

For further details on the Group’s accounting policy for accounting for credit losses, see note 29(a).

The following tables summarised the impact, of transition to HKFRS 9 on the opening balance of reserves, retained earnings as of 1 January 2018 as follows:

	RMB’000
Retained earnings	
Retained earnings as at 31 December 2017	25,073
Increase in expected credit losses (“ECLs”) in trade receivables and contract assets	(2,317)
Restated retained earnings as at 1 January 2018	22,756

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised costs”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group’s financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement of financial instruments

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB’000	Carrying amount as at 1 January 2018 under HKFRS 9 RMB’000
Trade and other receivables	Loans and receivables	Amortised cost	73,506	71,189
Cash and cash equivalents	Loans and receivables	Amortised cost	43,103	43,103

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group’s impairment model by replacing the HKAS 39 “incurred loss model” to the “expected credit losses (“ECLs”) model”. HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

(ii) *Impairment of financial assets (Continued)*

Measurement of ECLs (Continued)

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

(i) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables. The loss allowance as at 1 January 2018 was determined as follows for trade receivables and contract assets as follows:

1 January 2018	Current	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year	Total
Expected credit loss rate (%)	0.42%	1.05%	7.51%	7.51%	28%	
Gross carrying amount (RMB'000)	10,819	4,064	11,724	23,957	15,377	65,941
Loss allowance (RMB'000)	45	43	880	1,800	4,305	7,073

b. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated.
- The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

New and Amendments to HKFRSSs that are mandatorily effective for the current year (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

New and amendments to HKFRSSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSSs	Annual Improvements to HKFRSSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

HKFRS 16 Leases (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB126,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

HKFRS 16 Leases (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Based on the preliminary assessment made by the directors of the Company, it is expected that the adoption of HKFRS 15 would not have a significant impact on the Group’s revenue, as compared with the current accounting policy.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised in profit or loss during the relevant periods in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the relevant periods. The estimated useful lives are as follows:

Buildings	20 years
Machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Payments for leasehold land held for own use under operating lease

Payments for leasehold land held for own use under operating lease are upfront payments to acquire long-term interests in lease-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.5 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (Continued)

(i) Financial assets (Continued)

Fair value through profit or loss (“FVTPL”): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (Continued)

(i) **Financial assets** (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(ii) **Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial Liabilities at amortised cost

Financial liabilities at amortised cost include trade and bills payables, accruals and other payables, amount due to a director and bank borrowings. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or financial liability, or where appropriate, a shorter period.

(iv) **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (Continued)

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.8 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Impairment of non-financial assets

At the end of each of the relevant periods, the Group reviews the carrying amounts of following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interest in leasehold land held for own use under operating lease;
- investments in subsidiary.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately, unless the relevant asset is carried at revalued amount under another HKFRS, in which case impairment loss is treated as revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as revaluation increase under HKFRS.

Value in use is based on the estimate further cash flow expected to be derived from the asset discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risk specific to the asset or cash generating unit.

4.10 Employee benefits

(i) Defined contribution retirement plan

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of employees' salaries to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the relevant periods. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each of the relevant periods. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary item carried at fair value are included in profit or loss for period except for difference arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange difference are also recognised in other comprehensive income.

For the purpose of presenting the consolidated financial statements, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4.12 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Income taxes

Income taxes for the relevant periods comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.14 Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax and is after deduction of any trade discounts and goods returns.

- (a) Sales of goods is recognised once the products are delivered to the location designated by the distributor which is the point at which the control of the menswear goods is considered to have been transferred to the distributor and the point at which revenue is recognised.
- (b) Other service income is recognised when the services are rendered.
- (c) Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

No asymmetrical allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the relevant periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the relevant periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Consolidated Financial Statements (Continued)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Impairment loss for trade, bills and other receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

Impairment loss for non-financial assets

The Group assesses at the end of each of the relevant periods whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4.9. The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

Derecognition of discounted bills receivables

Judgment is required in determining derecognition of bills receivables after discounting. The management has to assess whether the Group has transferred substantial all risks and rewards relating to the derecognised bills receivables and has discharged its obligations under the relevant PRC practices, rules and regulations in consideration of credit quality of the derecognised bills receivables and likelihood of non-settlement of the derecognised bills receivables by the issuing banks on maturity.

Notes to the Consolidated Financial Statements (Continued)

6. SEGMENT INFORMATION

The Group operates in one operating segment which is the manufacturing and sales of tinplate packaging products in the PRC. The Group determines its operating segment based on information reported to executive directors of the Company who are also the chief operating decision-maker that are used to make strategic decisions. Accordingly, the Group does not present separately segment information and all of the non-current assets are located in the PRC.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC (excluding Hong Kong) as its country of domicile.

The Group's revenue from external customers by geographical location of customers is detailed below:

	2018 RMB'000	2017 RMB'000
The PRC (country of domicile)	74,626	86,404
Hong Kong	40,812	39,287
	115,438	125,691

Over 90% of the Group's non-current assets are principally attributable to the PRC, being the single geographical region.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's revenue is set out below:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Customer A	39,367	37,173

No other single customers contributed 10% or more to the Group's revenue for both 2018 and 2017.

Notes to the Consolidated Financial Statements (Continued)

7. REVENUE AND 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 year is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Sale of goods	115,438	125,691
Other income and gains:		
Interest income from bank deposits	1	367
Sale of scrap materials	286	544
Government grant*	300	2,500
Others	1,334	178
	1,921	3,589

* Government grant income were granted from the local government authorities in the PRC.

8. FINANCE COSTS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Interest expenses on bank borrowings	2,138	1,864
Interest expenses on discounted bills receivables	652	739
Bank charges	50	52
	2,840	2,655

Notes to the Consolidated Financial Statements (Continued)

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Directors' emoluments (<i>Note 10(a)</i>)	910	811
Other staff costs:		
– Wages, salaries and other benefits	8,944	9,786
– Contributions to defined contribution pension plans	1,170	2,181
Amortisation of payments for leasehold land held for own use under operating lease	166	166
Depreciation of property, plant and equipment	2,787	3,274
Auditor's remuneration	448	416
Listing expenses	–	8,578
Cost of inventories recognised as expenses	72,179	95,490
Loss on disposal of property, plant and equipment	–	9
Operating lease rental	230	109

Notes to the Consolidated Financial Statements (Continued)

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The remuneration of the Directors for the year is set out below:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to defined contribution pension plans RMB'000	Total RMB'000
Year ended 31 December 2018				
<i>Executive directors</i>				
Mr. Liang Juncheng (Note (a))	240	–	–	240
Mr. Liang Junqian	–	–	–	–
Mr. Chan Kit Lung, Andy	225	–	–	225
Ms. Liang Yingjun (Note (c))	–	151	–	151
<i>Independent non-executive directors</i>				
Mr. Wong Sui Chi (Note (d))	84	–	–	84
Mr. Hua Min (Note (d))	105	–	–	105
Mr. Xiao Ping (Note (d))	105	–	–	105
	759	151	–	910
Year ended 31 December 2017				
<i>Executive directors</i>				
Mr. Liang Jianheng (Note (b))	321	–	7	328
Mr. Liang Juncheng (Note (a))	299	–	–	299
Mr. Liang Junqian	–	–	–	–
Mr. Chan Kit Lung, Andy	42	–	–	42
<i>Independent non-executive directors</i>				
Mr. Wong Sui Chi (Note (d))	38	–	–	38
Mr. Hua Min (Note (d))	52	–	–	52
Mr. Xiao Ping (Note (d))	52	–	–	52
	804	–	7	811

Note:

- (a) Mr. Liang Juncheng was retired on 15 August 2018.
- (b) Mr. Liang Jianheng was resigned on 2 November 2017.
- (c) Ms. Liang Yingjun was appointed on 15 August 2018.
- (d) Mr. Wong Sui Chi, Ms. Hua Min and Ms. Xiao Ping were appointed as the Company's independent non-executive directors on 14 February 2017.

Notes to the Consolidated Financial Statements (Continued)

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(b) Five highest-paid individuals

The five highest-paid individuals of the Group included four (2017: two) directors for the year, whose emoluments are included in Note 10(a) above. The emoluments of remaining one (2017: three) highest-paid individuals for the year are set out below:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries and allowances	332	532
Contributions to defined contribution pension plans	20	24
	352	556

Their remuneration fell within the following bands:

	Year ended 31 December	
	2018 Numbers of individuals	2017 Numbers of individuals
Nil to HK\$1,000,000	1	3

No director or any of the highest-paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the Directors or any of the highest-paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

11. INCOME TAX EXPENSE

The income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current income tax		
Provision for the year — PRC	178	2,102
Deferred tax		
In respect of the current year	126	2,317
Income tax expense	304	4,419

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

No Hong Kong profit tax was provided as the Group has no estimated assessable profit derived for both years.

Provision for the Enterprise Income Tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

The income tax expense can be reconciled to the accounting profit at applicable tax rate as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
(Loss)/profit before income tax expense	(7,617)	865
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	(921)	216
Tax effect of non-deductible expenses	375	3,799
Tax effect of unrecognised tax losses	850	404
Income tax expense	304	4,419

Notes to the Consolidated Financial Statements (Continued)

11. INCOME TAX EXPENSE (Continued)

	Depreciation allowance in excess of the accounting depreciation	
	2018 RMB'000	2017 RMB'000
Deferred tax arising from:		
At 1 January	2,227	—
Charged to profit and loss	126	2,317
Exchange realignment	120	(90)
As at 31 December	2,473	2,227
Presented in the consolidated statement of financial position as: — Deferred tax liabilities	2,473	2,227

12. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

13. LOSS PER SHARE

The calculations of basic loss per share are based on the Group's loss for the year attributable to owners of the Company of approximately RMB7,921,000 (2017: 3,554,000) and the weighted average of 400,000,000 (2017: 345,753,425) shares in issue during the year.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 December 2018 includes the weighted average effect of 100,000,000 shares issued upon the share offer of the Company's shares on 18 July 2017.

Diluted earnings per share were same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the year ended 31 December 2018 and 2017.

Notes to the Consolidated Financial Statements (Continued)

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2017	14,909	20,988	718	252	36,867
Additions	–	21,775	1,947	–	23,722
Disposals	–	–	–	(28)	(28)
Exchange realignment	–	(838)	(73)	–	(911)
At 31 December 2017	14,909	41,925	2,592	224	59,650
Additions	–	546	26	–	572
Disposals	–	–	–	–	–
Exchange realignment	–	1,118	97	–	1,215
At 31 December 2018	14,909	43,589	2,715	224	61,437
Accumulated depreciation and impairment					
At 1 January 2017	8,722	15,310	586	181	24,799
Provided for the year	671	2,524	67	12	3,274
Written back on disposal	–	–	–	(17)	(17)
Exchange realignment	–	(64)	(2)	–	(66)
At 31 December 2017	9,393	17,770	651	176	27,990
Provided for the year	671	1,696	411	9	2,787
Written back on disposal	–	–	–	–	–
Exchange realignment	–	86	3	–	89
At 31 December 2018	10,064	19,552	1,065	185	30,866
Net carrying value					
At 31 December 2018	4,845	24,037	1,650	39	30,571
At 31 December 2017	5,516	24,155	1,941	48	31,660

Notes to the Consolidated Financial Statements (Continued)

15. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	RMB'000
Cost	
At 31 December 2017, at 1 January 2018 and 31 December 2018	8,296
Amortisation	
At 1 January 2017	2,157
Amortisation	166
At 31 December 2017 and 1 January 2018	2,323
Amortisation	166
At 31 December 2018	2,489
Net carrying amount	
At 31 December 2018	5,807
At 31 December 2017	5,973

The Group's interest in leasehold land is located in the PRC. The lease period of interest in leasehold land is 50 years. As at 31 December 2018, the remaining lease periods of the Group's interests in leasehold land were 33.9 years (2017: 34.9 years) respectively.

At 31 December 2018 and 2017, the leasehold land was pledged as security for the Group's bank borrowings (Note 22) and bills payables (Note 20).

16. INVENTORIES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Raw materials	26,981	17,289
Work-in-progress	1,724	1,007
Finished goods	1,425	1,717
	30,130	20,013

Notes to the Consolidated Financial Statements (Continued)

17. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade receivables	65,240	72,794
Bills receivables	701	712
	65,941	73,506
Less: loss allowance	(7,073)	–
	58,868	73,506

The credit terms granted to individual customers varies on a customer by customer basis which is determined by management with reference to the creditability of a respective customer. The general credit period ranged from 30 to 120 days (2017: 7 to 90 days) and the settlement period of bills receivables ranged from 30 to 120 days (2017: 30 to 120 days).

(a) Ageing analysis

An ageing analysis of the Group's trade and bills receivables, net of impairment, and based on invoice date, is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 1 month	10,774	19,971
More than 1 month but not more than 3 months	4,021	35,195
More than 3 months but not more than 6 months	10,844	10,492
More than 6 months but not more than 1 year	22,157	5,512
More than 1 year	11,072	2,336
	58,868	73,506

The movement in the loss allowance account for trade receivables during the year is as follow:

	2018 RMB'000	2017 RMB'000
As at 1 January	–	–
Impairment losses recognised (note 9)	7,073	–
As at 31 December	7,073	–

Notes to the Consolidated Financial Statements (Continued)

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Prepayments	6,533	7,235
Advance payment to suppliers	38,181	–
Other receivables	1,102	9,793
	45,816	17,028

The balances of other receivables are unsecured, interest-free and with no fixed repayment terms. The Group's other receivables were neither past due nor impaired as at 31 December 2018.

19. PLEDGED BANK DEPOSITS

At 31 December 2018 and 2017, pledged bank deposits were denominated in RMB and pledged as collateral for the issuance of bills payables (Note 20). The pledged bank deposits carry interest at 0.35% per annum (2017: 0.35%).

20. TRADE AND BILLS PAYABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade payables	21,519	45,093
Bills payables	14,130	3,512
	35,649	48,605

Notes to the Consolidated Financial Statements (Continued)

20. TRADE AND BILLS PAYABLES (Continued)

An ageing analysis of the Group's trade and bills payables based on invoice date, is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 1 month	9,055	17,410
More than 1 month but not more than 3 months	24,210	20,948
More than 3 months but not more than 6 months	1,532	6,248
More than 6 months but not more than 1 year	275	1,940
Over 1 year	577	2,059
	35,649	48,605

- (a) Pledge of buildings (Note 14) held by the Group with net carrying amount of RMB4,845,000 and RMB5,516,000 as at 31 December 2018 and 31 December 2017 respectively;
- (b) Pledge of payments for leasehold land held for own use under operating lease (Note 15) by the Group with net carrying amount of RMB5,807,000 and RMB5,973,000 as at 31 December 2018 and 31 December 2017 respectively; and
- (c) Pledged bank deposits (Note 19) of RMB4,239,000 and RMB1,054,000 as at 31 December 2018 and 31 December 2017 respectively.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2018 and 31 December 2017 is amounted to RMB6,000,000 and RMB6,000,000 respectively.

21. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Other payables	2,373	4,458
Other tax payables	123	362
Accruals	1,951	3,564
	4,447	8,384

Notes to the Consolidated Financial Statements (Continued)

22. BANK BORROWINGS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Current:		
Secured interest-bearing bank borrowings:		
Repayable on demand or within one year	40,000	39,000

Bank borrowings bear interest at floating interest rates. The effective interest rates of bank borrowings is 5.7% per annum for the year ended 31 December 2018 (2017: 5.5%) respectively.

The bank borrowings and other banking facilities are secured by:

- (a) Pledge of buildings (Note 14) held by the Group with net carrying amount of RMB4,845,000 and RMB5,516,000 as at 31 December 2018 and 2017 respectively; and
- (b) Pledge of payments for leasehold land held for own use under operating lease (Note 15) by the Group with net carrying amount of RMB5,807,000 and RMB5,973,000 as at 31 December 2018 and 2017 respectively.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2018 and 2017 amounted to RMB6,000,000 and RMB25,000,000 respectively.

Notes to the Consolidated Financial Statements (Continued)

23. SHARE CAPITAL

	Number	Amount RMB'000
Authorised:		
Ordinary shares of HK\$0.01 each Upon incorporation (<i>note (a)</i>)	10,000,000	83,490
At 1 January 2017, 31 December 2017 and 31 December 2018	10,000,000	83,490
Issued and fully paid:		
Ordinary shares of HK\$0.01 each Upon incorporation (<i>note (a)</i>)	1	–
Issue of shares upon the Reorganisation (<i>note (b)</i>)	299,999,999	2,505
At 1 January 2017	300,000,000	2,505
Issuance of ordinary shares pursuant to the Placing (<i>note (c)</i>)	100,000,000	867
At 31 December 2017 and 31 December 2018	400,000,000	3,372

Notes:

- (a) The Company was incorporated in the Cayman Islands on 21 April 2016 with an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each of which one ordinary share was allotted and issued at par value.
- (b) On 4 May 2016, the then shareholders of Able Hope Limited transferred their equity interests in Able Hope Limited to the Company in consideration of the Company's allotment and issue of 299,999,999 shares to the companies held by the then shareholders of Able Hope Limited. On 4 May 2016, the Reorganisation was completed, therefore, the share capital presented as at 31 December 2016 represented the paid up capital of the Company.
- (c) The Shares of the Company were listed on GEM on 18 July 2017. On the same date, 50,000,000 of the Company's shares were issued under the public offering at an offer price of HK\$0.65, 50,000,000 shares of the Company were issued at a placing price of HK\$0.65 per share. Since then, the share capital represented 400,000,000 shares of the Company at HK\$0.01 each.

Notes to the Consolidated Financial Statements (Continued)

24. RESERVE

Details of the movements of the Group's reserves are as set out in the consolidated statements of changes in equity.

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	Description and purpose
Share premium	Under the Companies Law (as revised) of the Cayman Islands, dividends may be paid out of the share premium account of the Company provided its articles of association permits it and the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.
Statutory reserve fund	<p>Pursuant to the relevant PRC regulations and the Article of Association of the PRC subsidiary within the Group, the PRC subsidiary is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to a statutory reserve fund until the fund aggregates to 50% of its registered capital of the PRC subsidiary. The transfer to this reserve shall be made before distribution of dividends to shareholders.</p> <p>The statutory reserve fund shall only be used to make good previous years' losses, to expand its production operations, or to increase its capital.</p>
Capital reserve	<p>The amount paid by the shareholders for capital injection.</p> <p>During the year ended 31 December 2014, a director of the Company, Liang Jianheng irrevocably waived the amount due to him by the Group of approximately RMB7,200,000 and the amount due to a director of approximately RMB7,200,000 was classified as capital reserve of the Group.</p>
Other reserve	The other reserve of the Group represents the difference between the total equity of those subsidiaries and the aggregated share capital of the relevant subsidiaries pursuant to the Reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new share from the Company.
Exchange reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Retained earnings	Cumulative net gains and losses recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

25. SHARE OPTION SCHEME

On 23 June 2017, a share option scheme has been approved and adopted by shareholders' resolution (the "Share Option Scheme"). Unless otherwise cancelled or amended subject to resolution passed at general meeting of the Company, the Share Option Scheme will remain in force for ten years from 23 June 2017.

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined below), to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

Eligible participants (the "Participants") of the Share Option Scheme include any directors of the Company (including executive directors, non-executive director and independent non-executive directors of the Company) and employees of the Group, any directors or employees of a company or entity in which the Group has invested in and any advisors (professional or otherwise), consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, any directors or employees of any service providers of any members of the Group.

Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Share Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time. No Share Option may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such limit being exceeded.

Without prior separate approval from the Company's shareholders, the total number of Shares which may be issued upon exercise of the Share Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of the Shares in issue as at the date of completion of the Share Offer, the total number of Shares issued and to be issued upon exercise of the Share Options granted to each Participant (including exercised, cancelled and outstanding Share Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue from time to time.

Any grant of options to any directors, chief executive or substantive shareholders (as such terms as defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option scheme of the Company or any of its subsidiaries shall be subject to the prior approval of the independent non-executive directors or shareholders of the Company as the case may be. Without prior separate approval from the Company's shareholders, the maximum number of shares issued and to be issued in respect of which options granted and may be granted to a substantial shareholder or an independent non-executive director of the Company in the 12-month period up to and including the date of such grant shall not (i) exceed 0.1% of the shares of the Company in issue on the date of such grant; and (ii) have an aggregate value, based on the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which a Share Option is granted; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which a Share Option is granted; and (iii) the nominal value of a Share.

Notes to the Consolidated Financial Statements (Continued)

25. SHARE OPTION SCHEME (Continued)

Offer of a Share Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Share Option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

Details of share options granted

Details of grantees	Number of share options	Date of grant	Exercise price	Exercisable period
Consultants, employees and others	40,000,000	17 April 2018	HK\$0.375	10 years

The closing price of the Company's shares on 17 April 2018 was HK\$0.355 per share.

The movement of share options granted and weighted average exercise prices of share options

	2018 Weighted Number average of exercise price HK\$	Number of options
Total number of outstanding options as at 31 December 2017	–	–
Granted during the year	0.375	40,000,000
Total number of outstanding options as at 31 December 2018	0.375	40,000,000

The share options outstanding as at 31 December 2018 have exercise prices of HK\$0.375 per option (2017: Nil) and a weighted average remaining contractual life of 9.33 years (2017: Nil). As at 31 December 2018, the Company had 40,000,000 share options outstanding (2017: Nil), representing 10% (2017: Nil) of the issued share capital of the Company at that date.

Notes to the Consolidated Financial Statements (Continued)

25. SHARE OPTION SCHEME (Continued)

Details of share options granted (Continued)

For share options granted during the year ended 31 December 2018, the share options were measured at fair value at grant date with reference to a valuation report prepared by International Valuation Limited, calculated using Binomial Option Pricing model with the following key assumptions:

Exercise price	HK\$0.375
Expected volatility (Note below)	41%
Expected option life	10 years
Expected dividends	–
Risk-free interest rate (per annum)	2.048%
Fair value of a share option at grant date	HK\$0.17

Note:

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information.

26. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating lease payable by the Group in respect of certain properties rented by the Group:

	2018 RMB'000	2017 RMB'000
Within 1 year	126	252
After 1 year but within 5 years	–	126
	126	378

27. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 10(a) to the consolidated financial statements, is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Directors' fees	759	804
Salaries, allowances and benefits in kind	362	505
Contributions to defined contribution pension plans	11	19
	1,132	1,328

Notes to the Consolidated Financial Statements (Continued)

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables	58,868	73,506
Deposits and other receivables	45,816	9,793
Pledged bank deposits	4,239	1,054
Cash and cash equivalents	1,445	43,103
	110,368	127,456
Financial liabilities		
Measured at amortised cost:		
Trade and bills payables	35,649	48,605
Accruals and other payables	4,447	8,384
Bank borrowings	40,000	39,000
	80,096	95,989

29. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, foreign currency risk and interest rate risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables, other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade receivables and other receivables, individual credit evaluations are performed on customers. These evaluations focus on their past history of making payments when due and current ability to pay, and take into account information specific to them as well as pertaining to the economic environment in which the customers operate. Trade receivables are normally due within 90 days. Normally, the Group does not obtain collateral from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. In addition, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics for trade receivables and other receivables. The Group has concentration of credit risk with bills receivables from trade issued by bank. The credit risk on the bills receivables is limited because the counterparties are mainly banks with high credit-rating or with good reputation. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the Consolidated Financial Statements (Continued)

29. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (“ECLs”), which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

	Expected loss rate RMB’000	Gross carrying amount excluding specific debtors RMB’000	Loss allowance excluding specific debtors RMB’000
With 1 month	0.42%	10,819	45
More than 1 month but not more than 3 months	1.05%	4,064	43
More than 3 months but not more than 6 months	7.51%	11,724	880
More than 6 months but not more than 1 year	7.51%	23,957	1,800
More than 1 year	28%	15,377	4,305

The Group keeps assessing the expected loss rates based on the Group’s historical credit loss experience over the past years, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period over the expected lives of the receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business. The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the current rates at the reporting date) and the earliest date the Group may be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
At 31 December 2018			
Trade and bills payables	35,649	35,649	35,649
Accruals and other payables	4,447	4,447	4,447
Bank borrowings	40,000	42,000	42,000
	80,096	82,096	82,096
At 31 December 2017			
Trade and bills payables	48,605	48,605	48,605
Accruals and other payables	8,384	8,384	8,384
Bank borrowings	39,000	41,109	41,109
	95,989	98,098	98,098

Notes to the Consolidated Financial Statements (Continued)

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign currency risk

If exchange rates of the RMB against the HK\$ had been 5% weaker and all other variables were held constant, the effect on (loss)/profit after taxation is as follows:

	2018 RMB'000	2017 RMB'000
Increase in loss/Decrease in profit after taxation	1,231	1,502

There would be an equal and opposite impact on the (loss)/profit after taxation where the RMB strengthens against the HK\$.

In the directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(d) Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank deposits, pledged bank deposits and interest-bearing bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

The following table details the interest rate profile of the Group's financial instruments:

	As at 31 December			
	2018 Effective interest rate per annum	RMB'000	2017 Effective interest rate per annum	RMB'000
Fixed-rate bank deposits	0.3%	9	0.3%	9
Floating-rate pledged bank deposits	0.35%	4,239	0.35%	1,054
Floating-rate bank deposits	0.35%	1,436	0.35%	43,092
		5,684		44,155
Floating-rate bank borrowings	5.7%	40,000	5.5%	39,000

Notes to the Consolidated Financial Statements (Continued)

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk (Continued)

Sensitivity analysis

At the respective end of reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately RMB2,000 (2017: RMB2,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the relevant periods and had been applied to the exposure to interest rate risk for the bank deposits, pledged bank deposits and interest-bearing bank borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

The interest rate risk policies have been followed by the Group consistently throughout the relevant periods.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are approximate to fair values.

31. TRANSFERRED FINANCIAL ASSETS

The Group discounted certain bills receivables accepted by banks in the PRC (the "Derecognised Bills") to a bank with a carrying amounts of RMB18,431,000 and RMB16,865,000 as at 31 December 2018 and 2017, respectively. The Derecognised Bills had maturity dates of less than six months at the end of each of the relevant periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantial all risks and rewards relating to the Derecognised Bills and has discharged its obligations under the relevant PRC practices, rules and regulations, the Group has limited exposure in respect of the settlement obligation of the Derecognised Bills under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The Group considered the Derecognised Bills are of good credit quality and the non-settlement of the Derecognised Bills by the issuing banks on maturity is remote. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the transfer of the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement, both during the each of the reporting period or cumulatively. The discounting of bills receivables have been made evenly throughout the reporting period.

32. CAPITAL MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and maximising the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the Directors. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Company or its subsidiaries, and the risk characteristics of the Group's underlying assets.

Notes to the Consolidated Financial Statements (Continued)

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Non-current asset		
Property, plant and equipment	916	1,094
Investment in a subsidiary	40,594	40,594
	41,510	41,688
Current asset		
Amount due from subsidiaries	27,999	22,724
Cash and bank	561	443
	28,560	23,167
Total assets	70,070	64,855
Current liabilities		
Amount due to directors	1,740	401
Amount due to subsidiaries	3,336	–
Accruals and other payables	1,115	1,464
	6,191	1,865
Net current assets	22,369	21,302
Net assets	63,879	62,990
Capital and reserve		
Share capital (<i>Note</i>)	3,372	3,372
Reserve (<i>Note</i>)	60,507	59,618
Total equity attributable to owners of the Company	63,879	62,990

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Liang Junqian

Chan Kit Lung Andy

Notes to the Consolidated Financial Statements (Continued)

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2017 and 1 January 2018	3,372	87,552	–	(270)	(27,664)	62,990
Loss for the year	–	–	–	–	(6,289)	(6,289)
Other comprehensive loss for the year	–	–	–	1,315	–	1,315
Loss and total comprehensive loss for the year	–	–	–	1,315	(6,289)	(4,974)
Grant of share option	–	–	5,863	–	–	5,863
At 31 December 2018	3,372	87,552	5,863	1,045	(33,953)	63,879

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Upon incorporation	–	–	–	–	–
Issue of share upon reorganisation	2,505	38,089	–	–	40,594
At 31 December 2016 and 1 January 2017	2,505	38,089	–	–	40,594
Loss for the year	–	–	–	(27,664)	(27,664)
Other comprehensive loss for the year	–	–	(270)	–	(270)
Loss and total comprehensive loss for the year	–	–	(270)	(27,664)	(27,934)
Issue of shares upon share offer, net of listing expenses	867	49,463	–	–	50,330
At 31 December 2017	3,372	87,552	(270)	(27,664)	62,990

Financial Summary

	At 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
RESULTS					
Revenue	115,438	125,691	118,510	114,566	100,458
(Loss)/profit before income tax	(7,617)	865	13,383	10,503	10,741
Income tax expenses	(304)	(4,419)	(6,039)	(4,578)	(2,768)
(Loss)/Profit for the year	(7,921)	(3,554)	7,344	5,925	7,973
ASSETS AND LIABILITIES					
Total assets	176,876	192,337	143,798	113,166	88,351
Total liabilities	(83,667)	(99,372)	(95,727)	(73,495)	(54,810)
Net assets	93,209	92,965	48,071	39,671	33,541
Total equity attributable to the owners of the company	93,209	92,965	48,071	39,671	33,541