



2020

INTERIM REPORT

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

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Financial Highlights

- The Group's revenue for the six months ended 30 June 2020 was approximately RMB15.6 million, representing a decrease of approximately 63.2% when compared with that for the six months ended 30 June 2019.
- The Group recorded a loss attributable to the owners of the Company of approximately RMB6.8 million for the six months ended 30 June 2020, as compared to a loss attributable to the owners of the Company of approximately RMB2.4 million for the six months ended 30 June 2019.
- The board of Directors (the "Board") does not recommend the payment of interim dividend for the six months ended 30 June 2020.
- As at 30 June 2020, the Group's total cash and bank balances were approximately RMB3.7 million (31 December 2019: approximately RMB4.4 million). Gearing ratio of the Group increased from approximately 69.6% as at 31 December 2019 to approximately 75.6% as at 30 June 2020.

Corporate Information

DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

Mr. Wong Sui Chi
Ms. Ha Yee Lan Elaine
Mr. Wu Chi King

AUDIT COMMITTEE

Mr. Wong Sui Chi (*Chairman*)
Ms. Ha Yee Lan Elaine
Mr. Wu Chi King

REMUNERATION COMMITTEE

Ms. Ha Yee Lan Elaine (*Chairman*)
Mr. Wong Sui Chi
Mr. Wu Chi King

NOMINATION COMMITTEE

Mr. Wu Chi King (*Chairman*)
Mr. Wong Sui Chi
Ms. Ha Yee Lan Elaine

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

Computershare Hong Kong Investor
Services Limited
Rooms 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

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

Unaudited Condensed Consolidated Interim Results for the Six Months Ended 30 June 2020

The Board of the Company announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020, together with the comparative unaudited figures for the six months ended 30 June 2019, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	2	11,011	22,490	15,543	42,230
Cost of sales		(9,414)	(17,761)	(13,660)	(32,743)
Gross profit		1,597	4,729	1,883	9,487
Other income and gains	2	181	516	215	649
Selling expenses		(578)	(536)	(915)	(1,031)
Administrative and other expenses		(4,151)	(6,766)	(6,121)	(9,889)
Finance costs	3	(1,078)	(754)	(1,832)	(1,451)
Loss before income tax		(4,029)	(2,811)	(6,770)	(2,235)
Income tax expense	4	-	-	-	(149)
Loss for the period		(4,029)	(2,811)	(6,770)	(2,384)
Other comprehensive (loss)/income for the period:					
<i>Item that will not be reclassified to profit or loss:</i>					
Gain on revaluation of properties		90	-	90	-
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		(608)	(1,187)	150	117
Total comprehensive (loss)/income for the period attributable to the owners of the Company		(4,547)	(3,998)	(6,530)	(2,267)
Loss per share attributable to owners of the Company – basis and diluted (RMB cents)	6	(5.04)	(3.51) (restated)	(8.46)	(2.98) (restated)

Unaudited Condensed Consolidated Statement of Financial Position

	Notes	As at	
		30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	25,124	26,960
Right-of-use assets		5,029	5,107
Investments properties		9,610	9,520
		39,763	41,587
Current assets			
Inventories	8	7,326	10,506
Trade and bills receivables	9	40,318	45,993
Prepayments and other receivables	10	73,452	70,734
Pledged bank deposits	11	802	3,139
Cash and cash equivalents		2,918	1,260
		124,816	131,632
Total assets		164,579	173,219

Unaudited Condensed Consolidated Statement of Financial Position (Continued)

		As at	
		30 June 2020	31 December 2019
Notes		RMB'000 (unaudited)	RMB'000 (audited)
Current liabilities			
Trade and bills payables	12	20,947	25,680
Accruals and other payables		17,013	14,908
Bank borrowings	13	52,900	52,900
Income tax payable		1,098	1,098
		91,958	94,586
Net current assets		32,858	37,046
Total assets less current liabilities		72,621	78,633
Non-current liabilities			
Deferred tax liabilities		2,618	2,618
Net assets		70,003	76,015
EQUITY			
Equity attributable to the owners of the Company			
Share capital	14	3,372	3,372
Reserves		66,631	72,653
Equity attributable to owners of the Company		70,003	76,025
Non-controlling interests		-	(10)
Total equity		70,003	76,015

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Statutory reserve fund	Capital reserve	Share option reserve	Exchange reserve	Property revaluation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (Audited)	3,372	87,552	3,826	7,200	5,863	4,027	-	(35,783)	17,152	93,209	-	93,209
Loss for the period	-	-	-	-	-	-	-	-	(2,384)	(2,384)	-	(2,384)
Other comprehensive income:												
Exchange differences on translating foreign operations	-	-	-	-	-	117	-	-	-	117	-	117
Total comprehensive income/(loss) for the period	-	-	-	-	-	117	-	-	(2,384)	(2,267)	-	(2,267)
Share options issued	-	-	-	-	2,681	-	-	-	-	2,681	-	2,681
At 30 June 2019 (Unaudited)	3,372	87,552	3,826	7,200	8,544	4,144	-	(35,783)	14,768	93,623	-	93,623
At 1 January 2020 (Audited)	3,372	87,552	3,826	7,200	8,599	5,237	7,772	(35,783)	(11,750)	76,025	(10)	76,015
Loss for the period	-	-	-	-	-	-	-	-	(6,770)	(6,770)	-	(6,770)
Other comprehensive income:												
Gain on revaluation of properties	-	-	-	-	-	-	90	-	-	90	-	90
Exchange differences on translating foreign operations	-	-	-	-	-	150	-	-	-	150	-	150
Total comprehensive income/(loss) for the period	-	-	-	-	-	150	90	-	(6,770)	(6,530)	-	(6,530)
Release upon disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	10	10
Share options issued	-	-	-	-	508	-	-	-	-	508	-	508
Lapse of share options	-	-	-	-	(5,550)	-	-	-	5,550	-	-	-
At 30 June 2020 (Unaudited)	3,372	87,552	3,826	7,200	3,557	5,387	7,862	(35,783)	(12,970)	70,003	-	70,003

Unaudited Condensed Consolidated Cash Flows Statement

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Net cash generated from/(used in) operating activities		901	(3,912)
Net cash generated from/(used in) investing activities		2,265	(843)
Net cash (used in)/generated from financing activities		(1,832)	8,648
Net increase in cash and cash equivalents		1,334	3,893
Cash and cash equivalents at beginning of period		1,260	1,445
Effect on exchange rate changes on cash and cash equivalents		324	119
Cash and cash equivalents at end of period		2,918	5,457

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

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. Its controlling shareholder is Fortune Time Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and ultimate controlled by Mr. Liang Jianxun, Ms. Liang Zhimei and Mr. Zhang Zhiwei (collectively referred to as the “Controlling Shareholders”).

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in manufacturing and sales of tinplates and tinplate packaging products (“Tin Operation”) in the People’s Republic of China (the “PRC”) and Hong Kong.

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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are consistent with those adopted in the preparation of annual report of the Company dated 31 December 2019 (the “Annual Report”) except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “New and Revised HKFRSs”) (which include add HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

Except for the adoption of the following new and amended HKFRSs effective as of 1 January 2020, the Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

2. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

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

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers recognised at a point in time:				
Revenue from tinplate packaging products	11,011	22,490	15,543	42,230
Other income and gains:				
Interest income from bank deposits	8	11	8	11
Sale of scrap materials	173	243	204	376
Others	-	262	3	262
	181	516	215	649

Segment Information

The Group operates in one operating segment which is the manufacturing and sales of tinplate packaging products in Hong Kong and 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 over 90% 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 and Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC (excluding Hong Kong) as its country of domicile.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

2. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION (Continued)

Segment Information (Continued)

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The PRC (country of domicile)	11,011	14,456	15,543	30,730
Hong Kong	-	8,034	-	11,500
	11,011	22,490	15,543	42,230

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:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	3,150	3,359	3,931	7,925
Customer B	2,654	2,418	3,245	6,095
Customer C	1,908	-*	2,682	-*
Customer D	1,663	-*	2,545	-*

* Revenue derived from these customers did not contribute over 10% of total revenue of the Group during the six months ended 30 June 2019.

No other single customers contributed 10% or more to the Group's revenue for six months ended 30 June 2020 and 2019.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

3. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest charges on financial liabilities carried at amortised cost:				
Interest expense on bank borrowings	1,020	680	1,736	1,289
Interest expense on discounted bills receivables	58	74	96	162
	1,078	754	1,832	1,451

4. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax (credit)/ provision for the period	-	-	-	149

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.

No Hong Kong profit tax was provided as the Group has no estimated assessable profit derived from and earned in Hong Kong during the six months ended 30 June 2019 and 2020.

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 Group had no material unrecognised deferred tax as at 31 December 2019 and 30 June 2020.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

5. DIVIDENDS

The Board does not recommend the payment to interim dividend for the six months ended 30 June 2020.

6. LOSS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Loss attributable to owners of the Company (RMB'000)	4,029	2,811	6,770	2,384
Number of shares for the purpose of basic loss per share ('000)	80,000	80,000 (Restated)	80,000	80,000 (Restated)

No diluted loss per share was presented as there were no potential dilutive ordinary shares in issue during both periods under review.

During the period, the Company implemented the share consolidation of every five shares into one consolidated share (the "Share Consolidation"). The Share Consolidation were completed on 15 April 2020. Accordingly, the weighted average number of shares for the purposes of basic and diluted loss per share has been adjusted for both periods.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately RMB37,000 (six months ended 30 June 2019 (unaudited): approximately RMB843,000).

No assets were written off during the six months ended 30 June 2019 and 2020.

Depreciation expenses of approximately RMB1.9 million was recorded for the six months ended 30 June 2020 (six months ended 30 June 2019 (unaudited): approximately RMB1.6 million).

As at 30 June 2020, the buildings with net carrying value of approximately RMB3.1 million (as at 31 December 2019 (audited): approximately RMB3.4 million) were pledged as security for the Group's bills payables (Note 12) and bank borrowings (Note 13).

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

8. INVENTORIES

	As at	
	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Raw materials	6,073	8,870
Work-in-progress	527	831
Finished goods	726	805
	7,326	10,506

9. TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables	62,152	67,977
Bills receivables	250	100
	62,402	68,077
Less: loss allowance	(22,084)	(22,084)
	40,318	45,993

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.

During the period under review, the general credit period ranged from 30 to 120 days and the general settlement period of bills receivables ranged from 30 to 120 days.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

9. TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis

An ageing analysis of the Group's trade and bills receivables as at 31 December 2019 and 30 June 2020, net of impairment, and based on invoice date, is as follows:

	As at	
	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 1 month	9,662	16,043
More than 1 month but not more than 3 months	1,012	3,499
More than 3 months but not more than 6 months	4,728	3,052
More than 6 months but not more than 1 year	9,109	2,996
More than 1 year	15,807	20,403
	40,318	45,993

10. PREPAYMENT AND OTHER RECEIVABLES

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Prepayment	855	11
Advance payment to suppliers	68,647	64,743
Other receivables	3,950	5,980
	73,452	70,734

Amounts of RMB45,000 and RMB3,000 (31 December 2019: RMB37,000 and RMB3,000) included in other receivables are due from Fortune Time, a company controlled by the Controlling Shareholders of the Company, and Wangchen Packaging International Company Limited ("Wangchen Packaging International"), a company controlled by JX Liang, who is one of the Controlling Shareholders of the Company. The amounts due are non-trade nature, unsecured, interest-free and recoverable on demand.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

10. PREPAYMENT AND OTHER RECEIVABLES (Continued)

The maximum indebtedness due from Fortune Time and Wangchen Packaging International are approximately RMB45,000 and RMB3,000 (year ended 31 December 2019: RMB37,000 and RMB3,000) during the six months ended 30 June 2020.

The Group's other receivables with carrying amounts of approximately RMB51,000 (31 December 2019: RMB44,000) are denominated in HKD.

11. PLEDGED BANK DEPOSITS

As at 31 December 2019 and 30 June 2020, pledged bank deposits were denominated in RMB and pledged as collateral for the issuance of bills payables (Note 12). The pledged bank deposits carry interest at 0.35% per annum during the period under review and will be mature within 3 months from the placement date.

12. TRADE AND BILLS PAYABLES

	As at	
	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade payables	18,274	17,551
Bills payables	2,673	8,129
Trade and bills payables	20,947	25,680

An ageing analysis of the Group's trade and bills payables as at 31 December 2019 and 30 June 2020, based on invoice date, is as follows:

	As at	
	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 1 month	9,877	15,719
More than 1 month but not more than 3 months	6,571	4,434
More than 3 months but not more than 6 months	1,443	2,724
More than 6 months but not more than 1 year	252	2
More than 1 year	2,804	2,801
	20,947	25,680

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

12. TRADE AND BILLS PAYABLES (Continued)

The bills payables are secured by:

- (a) Pledge of buildings held by the Group with net carrying amount of approximately RMB3.4 million and approximately RMB3.1 million as at 31 December 2019 and 30 June 2020, respectively;
- (b) Pledge of right-of-use assets (previously classified as payments for leasehold land held for own use under HKAS 17) by the Group with net carrying amount of approximately RMB5.1 million and approximately RMB5.0 million as at 31 December 2019 and 30 June 2020, respectively;
- (c) Investment properties held by the Group with fair value of approximately RMB9,520,000 and approximately RMB9,610,000 as at 31 December 2019 and 30 June 2020, respectively; and
- (d) Pledged bank deposits of approximately RMB3.1 million and approximately RMB0.8 million as at 31 December 2019 and 30 June 2020, respectively.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2019 and 30 June 2020 were amounted to approximately RMB1.9 million and approximately RMB1.9 million, respectively.

13. BANK BORROWINGS

	As at	
	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Borrowings due within one year:		
Secured bank borrowings	48,400	48,400
Unsecured borrowing	4,500	4,500
	52,900	52,900

As at 30 June 2020, all bank borrowings are interest bearing at PRC loan prime rate over a spread and are fixed at interest rate at the date of drawdown, ranging from 4.35% to 5.5% per annum (31 December 2019: from 3.15% to 4.35% per annum).

Unsecured borrowing is interest bearing at 18% per annum (31 December 2019: 18% per annum).

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2020

13. BANK BORROWINGS (Continued)

The bank borrowings are secured by:

- (a) Pledge of buildings held by the Group with carrying amounts of approximately RMB3.1 million (31 December 2019: RMB3.4 million) as at 30 June 2020;
- (b) Pledge of right-of-use assets (previously classified as payments for leasehold land held for own use under HKAS 17) by the Group with carrying amount of approximately RMB5.0 million (31 December 2019: RMB5.1 million) as at 30 June 2020; and
- (c) Investment properties held by the Group with fair value of approximately RMB9,610,000 (31 December 2019: RMB9,520,000) as at 30 June 2020.

The unutilised banking facilities in respect of bank borrowings as at 30 June 2020 amounted to RMB11,600,000 (31 December 2019: RMB11,600,000).

14. SHARE CAPITAL

	Number of shares '000	Nominal value of ordinary shares RMB'000
Ordinary shares of HK\$0.05 each		
Authorised:		
At 30 June 2020	2,000,000	83,490
	2,000,000	83,490
Issued and fully paid		
Ordinary shares of HK\$0.05 each		
At 30 June 2020	80,000	3,372

Management Discussion and Analysis

BUSINESS ACTIVITIES

The Group is principally engaged in manufacturing and sales of tinplate packaging products in the PRC and Hong Kong. The shares of the Company were listed on the GEM of the Stock Exchange (the “Listing”) on 18 July 2017 (the “Listing Date”). Since the listing of the Company’s share 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 six months ended 30 June 2020, the Group derived the revenue principally from the sale of tinplate packaging products in the Hong Kong and PRC. 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 RMB26.7 million, or approximately 63.2%, from approximately RMB42.2 million for the six months ended 30 June 2019 to approximately RMB15.5 million for the six months ended 30 June 2020, which was the sales demand of the Group’s products due to the outbreak of COVID-19 negatively affect.

The Group recorded a loss of approximately RMB6.8 million for the six months ended 30 June 2020 as compared to approximately RMB2.4 million for the six months ended 30 June 2019. The decrease mainly attributable to the decrease in revenue and the gross profit which mainly due to the outbreak of COVID-19, the uncertainties under the shadow of China-United States trade war and the keen competition in the industry.

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

For steel pails, the Group is going to upgrade the existing 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.

Management Discussion and Analysis (Continued)

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

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. 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.

DEBTS AND CHARGE ON ASSETS

The Group had total borrowings of RMB52.9 million and RMB52.9 million as at 31 December 2019 and 30 June 2020, respectively.

The bank borrowings and other banking facilities are secured by:

- (a) Pledge of buildings held by the Group with carrying amounts of approximately RMB3.1 million (31 December 2019: RMB3.4 million) as at 30 June 2020;
- (b) Pledge of right-of-use assets (previously classified as payments for leasehold land held for own use under HKAS 17) by the Group with carrying amount of approximately RMB5.0 million (31 December 2019: RMB5.1 million) as at 30 June 2020; and
- (c) Investment properties held by the Group with fair value of approximately RMB9,610,000 (31 December 2019: RMB9,520,000) as at 30 June 2020.

The unutilised banking facilities in respect of bank borrowings as at 30 June 2020 amounted to RMB11,600,000 (31 December 2019: RMB11,600,000).

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2019 and 30 June 2020 is amounted to approximately RMB1.9 million and RMB1.9 million, respectively.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020, the Group derived the revenue principally from the sale of tinplate packaging products in the Hong Kong and PRC. The Group generally recognises revenue from the sales of tinplate packaging products upon delivery of the products to the customers with their acceptance of the Group's products.

Revenue decreased by approximately RMB26.7 million, or approximately 63.2%, from approximately RMB42.2 million for the six months ended 30 June 2019 to approximately RMB15.5 million for the six months ended 30 June 2020. Such decrease was mainly due to the outbreak of COVID-19 which affect the sales demand of the Group's products.

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 RMB19.0 million, or approximately 58.3% from approximately RMB32.7 million for the six months ended 30 June 2019 to approximately RMB13.7 million for the six months ended 30 June 2020. Such decrease was consistent with the decrease in revenue for the six months ended 30 June 2020.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB9.5 million for the six months ended 30 June 2019 to approximately RMB1.9 million for the six months ended 30 June 2020.

Gross profit margin decreased from approximately 22.5% for the six months ended 30 June 2019 to 12.1% for the six months ended 30 June 2020. The decrease was mainly due to the decrease in average selling price of the Group's products which affected by the uncertainties under the shadow of China-United States trade war and the keen competition in the industry.

Management Discussion and Analysis (Continued)

Other income and gains

Other income and gains mainly represents the sales of scrap materials and interest income from bank deposits, which decreased from approximately RMB0.6 million for the six months ended 30 June 2019 to approximately RMB0.2 million for the six months ended 30 June 2020.

Selling expenses

The Group's selling expenses mainly included transportation costs for its logistic team, staff costs, entertainment expenses and consumables which remained stable at approximately RMB1.0 million and RMB0.9 million for the six months ended 30 June 2019 and 2020 respectively.

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 which decreased by approximately RMB3.8 million or 38.1% from approximately RMB9.9 million for the six months ended 30 June 2019 to approximately RMB6.1 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease of share-based payment expenses recognised in relation to the share options granted. Excluding the share-based payment recognised, the administrative and other expenses decreased from approximately RMB7.2 million for the six months ended 30 June 2019 to approximately RMB5.6 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease of staff costs and professional expenses.

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 RMB0.3 million, or approximately 26.3%, from approximately RMB1.5 million for the six months ended 30 June 2019 to approximately RMB1.8 million for the six months ended 30 June 2020. Such increase was mainly due to the higher interest rate of bank borrowings in the six months ended 30 June 2020 as compared to the six months ended 30 June 2019.

Management Discussion and Analysis (Continued)

Loss for the period

As a result of the cumulative factors discussed above, the loss for the period under review from loss of approximately RMB2.4 million for the six months ended 30 June 2019 increased to loss of approximately RMB6.8 million for the six months ended 30 June 2020. Such loss was mainly attributable to the decrease in revenue and the gross profit which mainly due to the outbreak of COVID-19, the uncertainties under the shadow of China-United States trade war and the keen competition in the industry.

Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group funded its liquidity primarily through cash inflows operating activities and repayment its bank borrowings.

As at 30 June 2020, the Group's total cash and bank balances were approximately RMB3.7 million (approximately RMB4.4 million as at 31 December 2019). Gearing ratio of the Group increased from approximately 69.6% as at 31 December 2019 to approximately 75.6% as at 30 June 2020.

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 22 to 24 of this interim report.

Management Discussion and Analysis (Continued)

PRINCIPAL RISKS, UNCERTAINTY AND RISK MANAGEMENT

The Group's credit risk is primarily attributable to its trade and bills receivables, other receivables and cash at banks. We have 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.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the six months ended 30 June 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, there were no significant contingent liabilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 145 employees (31 December 2019: 162 employees). Staff costs of the Group (including Directors' remuneration, wages, salaries and other benefits and contribution to defined contribution pension plans) amounted to approximately RMB1.9 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately RMB4.6 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 six months ended 30 June 2020.

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 six months ended 30 June 2020, the Group did not hedge any exposure to foreign exchange risk.

CAPITAL STRUCTURE

The shares of the Company was successfully listed on the GEM of the Stock Exchange on 18 July 2017. The share capital of the Company only comprises of ordinary shares.

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.

As at 15 April 2020, the Company completed a share consolidation pursuant to which every five shares consolidated into one consolidated share. After the completion, the Company's issued share capital remain unchanged as HK\$4,000,000 and the number of its issued ordinary shares become 80,000,000 of HK\$0.05 each.

Except for the above, there has been no other change in the capital structure of the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this interim report, the Group did not have other plans for material investments or capital assets as of 30 June 2020.

Disclosure of Other Information

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

As at 30 June 2020, 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	24,975,000	31.22%
Mr. Wang Yun	Beneficial owner	800,000	1.00%
Mr. Zou Yonggang	Beneficial owner	800,000	1.00%
Ms. Ha Yee Lan Elaine	Beneficial owner	800,000	1.00%

Note:

1. 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 24,975,000 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.

Disclosure of Other Information (Continued)

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

As at 30 June 2020, 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 (Note 1)	Beneficial owner	24,975,000	31.22%
Mr. JX Liang (Note 1)	Interest in a controlled corporation	24,975,000	31.22%
Ms. Liang Zhimei (Note 1)	Interest in a controlled corporation	24,975,000	31.22%
Mr. Zhang Zhiwei (Note 1)	Interest in a controlled corporation	24,975,000	31.22%
Mr. Luo Yuanying (Note 2)	Interest of spouse	24,975,000	31.22%
Ms. Yu Xianghong (Note 3)	Interest of spouse	24,975,000	31.22%

Notes:

1. Fortune Time is owned as to 50%, 25% and 25% by each of Mr. JX Liang, Ms. Liang Zhimei and Mr. Zhang Zhiwei respectively. Each of Mr. JX Liang, Ms. Liang Zhimei and Mr. Zhang Zhiwei is deemed to be interested in the Shares held by Fortune Time pursuant to the SFO.
2. 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.
3. 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.

Disclosure of Other Information (Continued)

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, 16,000,000 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\$0.05 each of the Company.

Category of participants	Date of grant	Number of share options				Outstanding as at 30 June 2020	Exercisable period	Exercise price per share (HK\$)
		Granted during the six months ended 30 June 2020	Exercised during the six months ended 30 June 2020	Lapsed/ cancelled during the six months ended 30 June 2020	Forfeited during the six months ended 30 June 2020			
Executive directors								
Mr. Wang Yun	18 May 2020	800,000	-	-	-	800,000	3 years	0.274
Mr. Zou Yonggang	18 May 2020	800,000	-	-	-	800,000	3 years	0.274
Independent non-executive directors								
Ms. Ha Yee Lan Elaine	18 May 2020	800,000	-	-	-	800,000	3 years	0.274
Employees								
	17 April 2018	-	-	6,400,000	-	-	10 years	1.875
	10 April 2019	-	-	800,000	-	6,400,000	10 years	0.78
	18 May 2020	5,600,000	-	-	-	5,600,000	3 years	0.274
Consultants								
	17 April 2018	-	-	800,000	-	800,000	10 years	1.875
	10 April 2019	-	-	-	-	800,000	10 years	0.78

The closing price of the Company’s shares immediately before the date of grant of share options on 18 May 2020 was HK\$0.28.

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 six months ended 30 June 2020.

Disclosure of Other Information (Continued)

DIRECTORS' INTERESTS IN CONTRACTS

As at 30 June 2020, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

As at 30 June 2020, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

Disclosure of Other Information (Continued)

AUDIT COMMITTEE

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

The Audit Committee had reviewed with the management of the Company the accounting principles and practices adopted by the Group and this report. The condensed consolidated financial results for the six months ended 30 June 2020 are unaudited, but have been reviewed by the Audit Committee.

By order of the Board
Wan Cheng Metal Packaging Company Limited
Liang Junqian
Chairman and executive Director

Hong Kong, 13 August 2020

As at the date of this report, the executive Directors are Mr. Liang Junqian, Mr. Chan Kit Lung Andy, Ms. Liang Yingjun, Mr. Wang Yun and Mr. Zou Yonggang and the independent non-executive Directors are Mr. Wong Sui Chi, Ms. Ha Yee Lan Elaine and Mr. Wu Chi King.