

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

2021
INTERIM REPORT

An abstract graphic consisting of several overlapping, wavy bands of blue and white, creating a sense of motion and depth. The bands curve and flow across the bottom half of the page, with the blue color transitioning from a light sky blue at the top to a deep, vibrant blue at the bottom.

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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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Financial Highlights

- The Group's revenue for the six months ended 30 June 2021 was approximately RMB22.0 million, representing an increase of approximately 41.8% when compared with that for the six months ended 30 June 2020.
- The Group recorded a loss attributable to the owners of the Company of approximately RMB7.8 million for the six months ended 30 June 2021, as compared to a loss attributable to the owners of the Company of approximately RMB6.8 million for the six months ended 30 June 2020.
- The board of Directors (the "Board") does not recommend the payment of interim dividend for the six months ended 30 June 2021.
- As at 30 June 2021, the Group's total cash and bank balances were approximately RMB19.3 million (31 December 2020: approximately RMB25.8 million). Gearing ratio of the Group increased from approximately 219.4% as at 31 December 2020 to approximately 250.2% as at 30 June 2021.

Corporate Information

DIRECTORS

Executive Directors:

Mr. Liang Junqian (*Chairman*)
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. Wang Yun

AUTHORISED REPRESENTATIVES

Mr. Wang Yun
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

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Hi-tech Industrial Development Zone
Ronggui Street, Shunde District
Foshan City, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room B, 12/F
Hang Seng Causeway Bay Building
28 Yee Wo Street
Causeway Bay, 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 2021

The Board of the Company announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021, together with the comparative unaudited figures for the six months ended 30 June 2020, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	2	13,295	11,011	22,040	15,543
Cost of sales		(12,037)	(9,414)	(20,153)	(13,660)
Gross profit		1,258	1,597	1,887	1,883
Other income and gains	2	1,580	181	2,424	215
Selling expenses		(497)	(578)	(996)	(915)
Administrative and other expenses		(4,691)	(4,151)	(8,241)	(6,121)
Finance costs	3	(1,412)	(1,078)	(2,832)	(1,832)
Loss before income tax		(3,762)	(4,029)	(7,758)	(6,770)
Income tax expense	4	-	-	-	-
Loss for the period		(3,762)	(4,029)	(7,758)	(6,770)
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>					
Release of exchange reserve upon disposal of subsidiaries		3,050	-	3,050	-
Exchange differences on translating foreign operations		(413)	(608)	(191)	150
Total comprehensive (loss)/income for the period attributable to the owners of the Company		(1,125)	(4,547)	(4,899)	(6,530)
Loss per share attributable to owners of the Company					
- basis and diluted (RMB cents)	6	(1.18)	(1.26) (restated)	(2.57)	(2.12) (restated)

Unaudited Condensed Consolidated Statement of Financial Position

		As at	
	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	134,948	136,267
Right-of-use assets		–	4,952
Investments properties		7,657	10,090
		142,605	151,309
Current assets			
Financial assets at fair value through profit or loss		2,637	–
Inventories	8	14,313	6,393
Trade and bills receivables	9	27,744	35,568
Prepayments and other receivables	10	34,800	36,081
Pledged bank deposits	11	–	5,000
Cash and cash equivalents		19,257	25,763
		98,751	108,805
Total assets		241,356	260,114
Current liabilities			
Trade and bills payables	12	46,249	31,986
Accruals and other payables		2,624	17,086
Lease liabilities		14,741	13,488
Borrowings	13	30,000	40,400
Income tax payable		1,098	1,098
		94,712	104,058
Net current assets		4,039	4,747
Total assets less current liabilities		146,644	156,056

Unaudited Condensed Consolidated Statement of Financial Position (Continued)

		As at	
	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		7,285	4,937
Borrowings	13	91,000	90,131
Deferred tax liabilities		–	1,497
		98,285	96,565
Net assets			
		48,359	59,491
EQUITY			
Equity attributable to the owners of the Company			
Share capital	14	13,391	3,372
Reserves		34,968	56,119
Equity attributable to owners of the Company			
		48,359	59,491
Non-controlling interests		–	–
Total equity			
		48,359	59,491

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	Accumulated Losses	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 2020 (Audited)	3,372	87,552	3,826	7,200	8,598	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	-	-	-	-	(5,560)	-	-	-	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
At 1 January 2021 (Audited)	3,372	87,552	3,826	7,200	3,544	3,495	7,772	(28,141)	(29,129)	59,491	-	59,491
Loss for the period	-	-	-	-	-	-	-	-	(7,758)	(7,758)	-	(7,758)
Other comprehensive income:												
Exchange differences on translating foreign operations	-	-	-	-	-	2,859	-	-	-	2,859	-	2,859
Total comprehensive income/(loss) for the period	-	-	-	-	-	2,859	-	-	(7,758)	(4,899)	-	(4,899)
Release upon disposal of a subsidiary	-	-	(3,826)	(7,200)	-	-	(7,772)	-	-	(18,798)	-	(18,798)
Right Issues	10,019	9,707	-	-	-	-	-	(7,642)	-	12,084	-	12,084
Share options issued	-	-	-	-	481	-	-	-	-	481	-	481
Lapse of share options	-	-	-	-	(586)	-	-	-	586	-	-	-
At 30 June 2021 (Unaudited)	13,391	97,259	-	-	3,439	6,354	-	(35,783)	(36,301)	48,359	-	48,359

Unaudited Condensed Consolidated Cash Flows Statement

	Six months ended 30 June		
	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net cash (used in)/generated from operating activities		(14,403)	901
Net cash (used in)/generated from investing activities		(1,205)	2,265
Net cash generated from/(used in) financing activities		9,226	(1,832)
Net (decrease)/increase in cash and cash equivalents		(6,382)	1,334
Cash and cash equivalents at beginning of period		25,763	1,260
Effect on exchange rate changes on cash and cash equivalents		(124)	324
Cash and cash equivalents at end of period		19,257	2,918

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 Room B, 12/F, Hang Seng Causeway Bay Building, 28 Yee Wo Street, Causeway Bay, Hong Kong.

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 2021 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 2021 are consistent with those adopted in the preparation of annual report of the Company dated 31 December 2020 (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.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1st January, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 14 and HKFRS 16

Covid-19-Related Rent Concessions

Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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	
	2021	2020	2021	2020
	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	13,295	11,011	22,040	15,543
Other income and gains:				
Unrealised fair value gain of financial assets at fair value through profit or loss	1,513	-	1,513	-
Interest income from bank deposits	-	8	-	8
Gain on disposal of subsidiaries	-	-	828	-
Sale of scrap materials	-	173	-	204
Others	67	-	83	3
	1,580	181	2,424	215

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 2021

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	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The PRC (country of domicile)	13,295	11,011	22,040	15,543

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	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	3,174	3,150	5,255	3,931
Customer B	2,700	2,654	4,669	3,245
Customer C	2,131	1,908	2,905	2,682
Customer D	1,502	1,663	2,514	2,545
Customer E	-*	-*	2,346	-*

* Revenue derived from these customers did not contribute over 10% of total revenue of the Group during the three months and six months ended 30 June 2020 and three months ended 30 June 2021.

No other single customers contributed 10% or more to the Group's revenue for six months ended 30 June 2021 and 2020.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	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	1,266	1,020	2,631	1,736
Interest expense on discounted bills receivables	146	58	201	96
	1,412	1,078	2,832	1,832

4. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax (credit)/ provision for the period	-	-	-	-

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 2021 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 2020 and 30 June 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

5. DIVIDENDS

The Board does not recommend the payment to interim dividend for the six months ended 30 June 2021.

6. LOSS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss attributable to owners of the Company (RMB'000)	3,762	4,029	7,758	6,770
Number of shares for the purpose of basic loss per share ('000)	320,000	320,000 (restated)	301,333	320,000 (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 issued and allotted 240,000,000 rights shares on 15 January 2021. As such, the weighted average number of ordinary shares for the six months ended 30 June 2020 has been adjusted and restated.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately RMB81,000 (six months ended 30 June 2020 (unaudited): approximately RMB37,000).

No assets were written off during the six months ended 30 June 2021 and 2020.

Depreciation expenses of approximately RMB1.4 million was recorded for the six months ended 30 June 2021 (six months ended 30 June 2020 (unaudited): approximately RMB1.9 million).

As at 31 December 2020, the buildings with net carrying value of approximately RMB3.1 million were pledged as security for the Group's bills payables and bank borrowings.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

8. INVENTORIES

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Raw materials	4,407	5,596
Work-in-progress	8,638	782
Finished goods	1,268	15
	14,313	6,393

9. TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables arising from contract with customers	45,255	52,259
Bills receivables	–	820
	45,255	53,079
Less: loss allowance	(17,511)	(17,511)
	27,744	35,568

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 2021

9. TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis

An ageing analysis of the Group's trade and bills receivables as at 31 December 2020 and 30 June 2021, net of impairment, and based on invoice date, is as follows:

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 1 month	11,440	15,854
More than 1 month but not more than 3 months	4,619	2,017
More than 3 months but not more than 6 months	2,386	2,419
More than 6 months but not more than 1 year	1,892	2,480
More than 1 year	7,407	12,798
	27,744	35,568

10. PREPAYMENT AND OTHER RECEIVABLES

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Prepayment	3,837	5,805
Advance payment to suppliers	23,415	22,634
Other receivables	7,548	7,642
	34,800	36,081

11. PLEDGED BANK DEPOSITS

As at 31 December 2020, pledged bank deposits were denominated in RMB and pledged as collateral for the issuance of bills payables. 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.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

12. TRADE AND BILLS PAYABLES

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables	41,295	27,032
Bills payables	4,954	4,954
Trade and bills payables	46,249	31,986

An ageing analysis of the Group's trade and bills payables as at 31 December 2020 and 30 June 2021, based on invoice date, is as follows:

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 1 month	23,039	18,625
More than 1 month but not more than 3 months	3,484	4,346
More than 3 months but not more than 6 months	7,365	4,203
More than 6 months but not more than 1 year	7,549	557
More than 1 year	4,812	4,255
	46,249	31,986

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

13. BORROWINGS

As at 30 June 2021, 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 5.5% to 5.655% per annum (31 December 2020: from 5.0% to 5.65% per annum).

Unsecured borrowing is interest bearing at 18% per annum (31 December 2020: 18% per annum).

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 2021	2,000,000	83,490
Issued and fully paid		
Ordinary shares of HK\$0.05 each		
At 1 January 2021	80,000	3,372
Rights Issue	240,000	10,019
At 30 June 2021	320,000	13,391

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 2021, 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 an increase in revenue by approximately RMB6.5 million, or approximately 41.8%, from approximately RMB15.5 million for the six months ended 30 June 2020 to approximately RMB22.0 million for the six months ended 30 June 2021, which was due to the increase of the sales demand of the Group’s products due to the recovery of economy since outbreak of COVID-19.

The Group recorded a loss of approximately RMB7.8 million for the six months ended 30 June 2021 as compared to approximately RMB6.8 million for the six months ended 30 June 2020. The increase mainly attributable to the increase in finance cost due to higher balance of the borrowings comparing with the corresponding period in 2020.

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 RMB130.5 million and RMB121.0 million as at 31 December 2020 and 30 June 2021, respectively.

As at 30 June 2021, the bank borrowings and other banking facilities are secured by 4 properties located in the PRC which owned by director of the subsidiaries.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2021, 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 increased by approximately RMB6.5 million, or approximately 41.8%, from approximately RMB15.5 million for the six months ended 30 June 2020 to approximately RMB22.0 million for the six months ended 30 June 2021. Such increase was mainly due to the increase of the sales demand of the Group's products due to the recovery of economy since outbreak of COVID-19.

Cost of sales

Cost of sales mainly comprised the cost of tinplate coil, tinplate processing costs, ancillary materials and consumables, staff costs, depreciation, utilities and repair and maintenance costs. The cost of sales increased by approximately RMB6.5 million, or approximately 47.5% from approximately RMB13.7 million for the six months ended 30 June 2020 to approximately RMB20.2 million for the six months ended 30 June 2021. Such increase was consistent with the increase in revenue for the six months ended 30 June 2021.

Management Discussion and Analysis (Continued)

Gross profit and gross profit margin

Gross profit remained stable from approximately RMB1.9 million for the six months ended 30 June 2020 to approximately RMB1.9 million for the six months ended 30 June 2021.

Gross profit margin decreased from approximately 12.1% for the six months ended 30 June 2020 to 8.6% for the six months ended 30 June 2021. 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.

Other income and gains

Other income and gains mainly represents the sales of scrap materials and the unrealised fair value gain on financial assets at fair value through profit or loss, which increased from approximately RMB0.2 million for the six months ended 30 June 2020 to approximately RMB2.4 million for the six months ended 30 June 2021.

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 RMB0.9 million and RMB1.0 million for the six months ended 30 June 2020 and 2021 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 increased by approximately RMB2.1 million or 34.6% from approximately RMB6.1 million for the six months ended 30 June 2020 to approximately RMB8.2 million for the six months ended 30 June 2021. The increase was mainly due to the increase of staff costs and advertising expenses.

Management Discussion and Analysis (Continued)

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 RMB1.0 million, or approximately 54.6%, from approximately RMB1.8 million for the six months ended 30 June 2020 to approximately RMB2.8 million for the six months ended 30 June 2021. Such increase was mainly due to the higher balance of borrowings in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020.

Loss for the period

As a result of the cumulative factors discussed above, the loss for the period under review from loss of approximately RMB6.8 million for the six months ended 30 June 2020 increased to loss of approximately RMB7.8 million for the six months ended 30 June 2021. Such loss was mainly attributable to the increase in finance costs and administrative and other expenses.

Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021.

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 2021, the Group's total cash and bank balances were approximately RMB19.3 million (approximately RMB25.8 million as at 31 December 2020). Gearing ratio of the Group increased from approximately 219.4% as at 31 December 2020 to approximately 250.2% as at 30 June 2021. Gearing ratio is defined as total interest-bearing debt over total equity as at the end of the reporting period.

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.

Management Discussion and Analysis (Continued)

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 21 to 23 of this interim report.

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 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, there were no significant contingent liabilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed 120 employees (31 December 2020: 132 employees). Staff costs of the Group (including Directors’ remuneration, wages, salaries and other benefits and contribution to defined contribution pension plans) amounted to approximately RMB3.6 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately RMB1.9 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.

Management Discussion and Analysis (Continued)

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investment for the six months ended 30 June 2021.

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 2021, 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.

The extraordinary general meeting of the Company has been held on 9 April 2020 to approve share consolidation which became effective on 15 April 2020. As a result of the share consolidation:

- (1) the authorised share capital of the Company shall become HK\$100,000,000 divided into 2,000,000,000 consolidated shares of par value of HK\$0.05 each, of which 80,000,000 consolidated shares will be in issue.
- (2) the number of consolidated shares to be allotted and issued under the share option scheme and the exercise price of share options adjusted to 8,000,000 shares and 8,000,000 shares which has exercise price of HK\$1.875 per share and HK\$0.78 per share respectively.

Details of the share consolidation were disclosed in the Company's announcements dated 21 February 2020 and 5 March 2020 and the Company's circular dated 20 March 2020.

Management Discussion and Analysis (Continued)

CAPITAL STRUCTURE (Continued)

Rights Issue and Use of Proceeds

On 15 January 2021, an aggregate of 240,000,000 rights shares has been issued pursuant to the rights issue prospectus of the Company dated 14 December 2020 and the allotment results announcement of the Company dated 11 January 2021. The estimated net proceeds from the Rights Issue will accordingly be approximately RMB20.2 million (equivalent to HK\$22.9 million). The Company intended to apply the net proceeds from the rights issue for the partial repayment of the borrowings of the Group which due in 2021. The net issue price of each Share subject to the rights issue is approximately HK\$0.095. As at the date of this interim report, approximately RMB9.7 million (equivalent to HK\$11.6 million) of the net proceeds has been utilised for repayment of the borrowings of the Group. The unutilised net proceeds are placed in the bank accounts of the Group.

Details of the rights issue were disclosed in the Company's prospectus of the Company dated 14 December 2020 and the Company's announcement dated 11 January 2021.

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 2021.

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 2021, 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
Mr. Wang Yun	Beneficial owner	1,220,619	0.38%
Mr. Zou Yonggang	Beneficial owner	1,220,619	0.38%
Ms. Ha Yee Lan Elaine	Beneficial owner	1,220,619	0.38%

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 2021, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than the Directors and chief executive of the Company disclosed above) had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

SHARE OPTION SCHEME

The Company has conditionally 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.

Disclosure of Other Information (Continued)

SHARE OPTION SCHEME (Continued)

Up to 30 June 2021, 29,971,142 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	Vesting period	Number of share options					Outstanding as at 30 June 2021	Exercisable period	Exercise price per share (HK\$)
			Outstanding as at 1 January 2021	Granted during the period ended 30 June 2021	Exercised during the period ended 30 June 2021	Lapsed/ cancelled during the period ended 30 June 2021	Forfeited during the period ended 30 June 2021			
Executive directors										
Mr. Wang Yun	18 May 2020	No	1,220,619	-	-	-	-	1,220,619	3 years	0.180
	20 May 2021	No	-	3,000,000	-	-	-	3,000,000	3 years	0.131
Mr. Zou Yonggang	18 May 2020	No	1,220,619	-	-	-	-	1,220,619	3 years	0.180
	20 May 2021	No	-	3,000,000	-	-	-	3,000,000	3 years	0.131
Independent non-executive directors										
Ms. Ha Yee Lan Elaine	18 May 2020	No	1,220,619	-	-	-	-	1,220,619	3 years	0.180
	20 May 2021	No	-	2,000,000	-	-	-	2,000,000	3 years	0.131
Employees										
	10 April 2019	No	8,544,333	-	-	-	-	8,544,333 (note i)	10 years	0.511
	18 May 2020	No	8,544,333	-	-	-	-	8,544,333 (note i)	3 years	0.180
Consultants										
	17 April 2018	No	1,200,619	-	-	(1,220,619)	-	- (note ii)	10 years	1.229
	10 April 2019	No	1,220,619	-	-	-	-	1,220,619 (note iii)	10 years	0.511
			23,191,761	8,000,000	-	(1,220,619)	-	29,971,142		

The closing price of the Company's shares immediately before the date of grant of share options on 20 May 2021 was HK\$0.131.

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 2021.

Disclosure of Other Information (Continued)

DIRECTORS' INTERESTS IN CONTRACTS

As at 30 June 2021, 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 2021, 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 2021 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 2021

As at the date of this report, the executive Directors are Mr. Liang Junqian, 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.