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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

This announcement, 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 announcement 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 announcement misleading.

RESULTS

The board of directors (the “Board”) of the Company announces the audited consolidated results of the Company and its subsidiary (collectively the “Group”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Notes	RMB'000	RMB'000
Revenue	4	59,061	115,438
Cost of sales		(55,005)	(86,577)
Gross profit		4,056	28,861
Other income and net gain	4	1,113	1,921
Selling expenses		(1,955)	(6,436)
Administrative and other expenses		(17,918)	(22,050)
Gain on fair value change on investment properties		400	–
Impairment loss recognised under expected credit loss model, net of reversal		(11,518)	(7,073)
Finance costs	5	(2,990)	(2,840)
Loss before taxation	6	(28,812)	(7,617)
Income tax expenses	7	(100)	(304)
Loss for the year		(28,912)	(7,921)
Other comprehensive income for the year:			
<i>Item that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties		7,772	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements		1,210	2,302
Total comprehensive loss for the year		(19,930)	(5,619)
Loss for the year attributable to:			
– Owners of the Company		(28,902)	(7,921)
– Non-Controlling interests		(10)	–
		(28,912)	(7,921)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		(19,920)	(5,619)
– Non-Controlling interests		(10)	–
		(19,930)	(5,619)
Loss per share (cents)			
– Basic and diluted	9	(7.23)	(1.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At at 31 December	
		2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		26,960	30,571
Right-of-use assets		5,107	–
Payments for leasehold land held for own use under operating lease		–	5,807
Investment properties		9,520	–
		41,587	36,378
Current assets			
Inventories		10,506	30,130
Trade and bills receivables	10	45,993	58,868
Prepayment and other receivables		70,734	45,816
Pledged bank deposits		3,139	4,239
Cash and cash equivalents		1,260	1,445
		131,632	140,498
Current liabilities			
Trade and bills payables	11	25,680	35,649
Accruals and other payables		14,908	4,447
Borrowings		52,900	40,000
Income tax payable		1,098	1,098
		94,586	81,194
Net current assets		37,046	59,304
Total assets less current liabilities		78,633	95,682
Non-current liability			
Deferred tax liabilities		2,618	2,473
Net assets		76,015	93,209
Capital and reserves			
Share capital		3,372	3,372
Reserves		72,653	89,837
Equity attributable to owners of the Company		76,025	93,209
Non-controlling interests		(10)	–
Total equity		76,015	93,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

For the year ended 31 December 2019

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. 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.

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and by the disclosure requirements of the Hong Kong Companies Ordinance.

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

a) New and amendments to HKFRSs that are effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

	<i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	126
Less: Recognition exemption – short-term leases with remaining lease term ending on or before 31 December 2019	(126)
	<hr/>
Lease liabilities as at 1 January 2019	–
	<hr/> <hr/>

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	<i>RMB'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	–
Reclassified from payments for leasehold land held for own use under operating lease (<i>Note</i>)	5,807
	5,807
Right-of-use assets as at 1 January 2019, represented leasehold land	5,807

Note:

Upfront payments for leasehold land in the PRC for own used properties were classified as payments for leasehold land held for own use under operating lease as at 31 December 2018. Upon application of HKFRS 16, the payments for leasehold land held for own use under operating lease amounting to approximately RMB5,807,000 were reclassified to right-of-use assets.

Transition to HKFRS 16 does not have impact on retained earnings as at 1 January 2019.

The following adjustment was made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported as at 31 December 2018	Reclassification	Carrying amount under HKFRS 16 as at 1 January 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Right-of-use assets	–	5,807	5,807
Payments for leasehold land held for own use under operating lease	5,807	(5,807)	–
	5,807	(5,807)	–

(b) New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

- ¹ Effective for annual periods beginning on or after 1 January 2020.
- ² Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
- ³ Effective for annual periods beginning on or after 1 January 2021.
- ⁴ Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors do not anticipate that the application of new and amendments to HKFRSs will have material impact on the Group's financial positions and performance.

3. SEGMENT INFORMATION

The Group operates in a single segment which is the Tin Operation in the PRC and Hong Kong with over 90% of its non-current assets located in the PRC, thus, no separate segment information was presented. The Group determines its operating segment based on information reported by the executive directors who are also the chief operating decision maker.

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
The PRC (country of domicile)	59,061	74,626
Hong Kong	–	40,812
	<u>59,061</u>	<u>115,438</u>

Information about major customers

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

	Year ended 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Customer A	15,219	39,367
Customer B (<i>Note</i>)	14,766	N/A
Customer C (<i>Note</i>)	9,761	N/A
	<u>9,761</u>	<u>N/A</u>

Except for disclosed above, no other customers contributed 10% or more to the Group's total revenue for both years.

Note:

Revenue derived from these customers did not contribute over 10% of total revenue of the Group during the year ended 31 December 2018.

4. REVENUE AND OTHER INCOME AND NET GAINS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers recognised at a point in time:		
Revenue from sales of tinplate packaging products	49,842	113,100
Revenue from sales of tinplates	9,219	2,338
	<u>59,061</u>	<u>115,438</u>
Other income and net gain:		
Interest income from bank deposits	16	1
Sale of scrap materials	139	286
Government grant (a)	370	300
Rental income (b)	278	222
Others	310	1,112
	<u>1,113</u>	<u>1,921</u>

Notes:

- (a) During the year ended 31 December 2019, the Group received RMB370,000 (2018: RMB300,000) from the PRC local government as a support to the Group's operations. There were no unfulfilled conditions or contingencies relating to these government grants.
- (b) No direct operating expenses incurred for investment properties that generated rental income for both years.

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contract for tinplates and tinplate packaging products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for sales of tinplates and tinplate packaging products that had an original expected duration of one year or less.

5. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense on borrowings	2,632	2,138
Interest expense on discounted bills receivables	358	652
Bank charges	–	50
	2,990	2,840
	2,990	2,840

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of payments for leasehold land held for own use under operating lease	–	166
Auditor's remuneration for audit service	450	448
Cost of inventories sold	55,005	72,179
Depreciation of property, plant and equipment	3,910	2,787
Depreciation of right-of-use assets	157	–
Loss on written off of property, plant and equipment	117	–
Impairment loss recognised under expected credit loss model, net of reversal	11,518	7,073
Operating lease rental relating to short-term lease and other lease with lease terms end within 12 months of the date of initial application of HKFRS 16	111	–
Operating lease rental	–	230
Share-based payment expense in respect of consultancy fee	274	1,173
Staff costs (excluding directors' remuneration):		
– Salaries, allowances and benefits in kind	6,737	8,944
– Share-based payment expense	2,462	4,690
– Contributions to defined contribution pension plans	1,351	1,170
	10,550	14,804

7. INCOME TAX EXPENSES

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax		
– Current year	–	178
Deferred tax charge	<u>100</u>	<u>126</u>
Income tax expenses	<u><u>100</u></u>	<u><u>304</u></u>

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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No Hong Kong Profits Tax was provided for both years as the Group has no assessable profit derived in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

8. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

9. 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 RMB28,902,000 (2018: RMB7,921,000) and the weighted average of 400,000,000 (2018: 400,000,000) ordinary shares in issue during the year.

Diluted loss per share is same as the basic loss per share for both years as the Company’s outstanding share options where applicable had an anti-dilutive effect to the basic loss per share calculation, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted loss per share for both years.

10. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables arising from contract with customers	67,977	68,423
Bills receivables	100	701
	<u>68,077</u>	<u>69,124</u>
Less: allowance for credit losses	(22,084)	(10,256)
	<u>45,993</u>	<u>58,868</u>

As at 1 January 2018, trade receivables from contracts with customers amounted to approximately RMB65,240,000.

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 (2018: 30 to 120 days) and the settlement period of bills receivables ranged from 30 to 120 days (2018: 30 to 120 days).

An aging analysis of the Group's trade and bills receivables, net of allowance for credit losses, based on the earlier of invoice date or revenue recognition date, is as follows:

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	16,043	10,774
More than 1 month but not more than 3 months	3,499	4,021
More than 3 months but not more than 6 months	3,052	10,844
More than 6 months but not more than 1 year	2,996	22,157
More than 1 year	20,403	11,072
	<u>45,993</u>	<u>58,868</u>

As at 31 December 2019, included in the Group's trade and bills receivables balance are debtors with aggregate gross carrying amounts of approximately RMB48,477,000 (2018: RMB54,241,000) which are past due at the end of the reporting period.

The Group's trade and bills receivables with carrying amounts of approximately RMB17,882,000 (2018: RMB34,786,000) are denominated in HKD.

11. TRADE AND BILLS PAYABLES

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	17,551	21,519
Bills payables	8,129	14,130
	<u>25,680</u>	<u>35,649</u>

The credit period granted by suppliers normally ranges from 90 to 120 days.

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

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	15,719	9,055
More than 1 month but not more than 3 months	4,434	24,210
More than 3 months but not more than 6 months	2,724	1,532
More than 6 months but not more than 1 year	2	275
Over 1 year	2,801	577
	<u>25,680</u>	<u>35,649</u>

Bills payables are secured by:

- (a) Pledge of buildings held by the Group with carrying amounts of RMB3,441,000 (2018: RMB4,845,000) as at 31 December 2019;
- (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 RMB5,107,000 (2018: RMB5,807,000) as at 31 December 2019;
- (c) Investment properties by the Group with fair value of RMB9,520,000 (2018: Nil) as at 31 December 2019; and
- (d) Pledged bank deposits of RMB3,139,000 (2018: RMB4,239,000) as at 31 December 2019.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2019 is amounted to RMB1,871,000 (2018: RMB4,720,000).

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 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 2019, the Group derived the revenue principally from the sale of tinplate packaging products in the PRC. The major products were tin cans and steel pails, which are generally used for storing paint and coatings.

The Group recorded a decrease in revenue by approximately RMB56.3 million, or approximately 48.8%, from approximately RMB115.4 million for the year ended 31 December 2018 to approximately RMB59.1 million for the year ended 31 December 2019, which was contributed by the decrease in sales order of the Group’s products which may caused by the uncertainties under the shadow of China – United States trade war and the negative effect arose from the social demonstration in Hong Kong, and the decrease in average selling price of the Group’s products due to the keen competition in the industry.

The loss for the year ended 31 December 2019 was approximately RMB28.9 million as compared to loss for the year of approximately RMB7.9 million for the year ended 31 December 2018. Such increase was mainly due to (i) the decrease in gross profit; and (ii) increase in expected credit loss recognised under HKFRS 9 of approximately RMB4.4 million when comparing and 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 and outbreak of COVID-19, 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 secured bank borrowings of RMB48.4 million and RMB40.0 million and unsecured borrowings of RMB4.5 million and nil as at 31 December 2019 and 31 December 2018 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 RMB3.4 million and approximately RMB4.8 million as at 31 December 2019 and 31 December 2018 respectively;
- (b) Pledge of right-of-use assets by the Group with carrying amount of approximately RMB5.1 million (2018: Nil) as at 31 December 2019;
- (c) Investment properties by the Group with fair value of approximately RMB9.5 million (2018: Nil) as at 31 December 2019; and
- (d) Pledge of payments for leasehold land held for own use under operating lease by the Group with carrying amount of approximately RMB5.8 million as at 31 December 2018.
- (e) Pledged bank deposits of approximately RMB3.1 million and approximately RMB4.2 million as at 31 December 2019 and 31 December 2018 respectively.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2019 and 31 December 2018 is amounted to approximately RMB1.9 million and approximately RMB4.7 million, respectively.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2019 and 31 December 2018 is amounted to approximately RMB11.6 million and nil 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.

As at 31 December 2019, the Group’s planned application and actual utilisation of the net proceeds are set out below:

Use of proceeds	Net proceeds <i>HK\$ million</i>	Utilised <i>HK\$ million</i>
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
	<u>33.4</u>	<u>33.4</u>

Financial Review

Revenue

During the year ended 31 December 2019, the Group derived the revenue principally from the sale of tinplate packaging products in the PRC. The Group generally recognises revenue from the sales of tinplate packaging products upon delivery of the products to the customers with their acceptance of the Group’s products.

Revenue decreased by approximately RMB56.3 million, or approximately 48.8%, from approximately RMB115.4 million for the year ended 31 December 2018 to approximately RMB59.1 million for the year ended 31 December 2019. Such decrease was mainly due to the decrease in sales order of the Group’s products which may cause by the uncertainties under shadow of China-United States trade war and the negative effect arose from the social demonstration in Hong Kong, and the decrease in average selling price of the Group’s products due to the keen competition in the industry during the year ended 31 December 2019.

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 RMB31.6 million, or approximately 36.5% from approximately RMB86.6 million for the year ended 31 December 2018 to approximately RMB55.0 million for the year ended 31 December 2019. Such decrease was consistent with decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB28.9 million for the year ended 31 December 2018 to approximately RMB4.1 million for the year ended 31 December 2019.

Gross profit margin decreased from approximately 25.0% for the year ended 31 December 2018 to 6.9% for the year ended 31 December 2019. The decrease was mainly due to the decrease in average selling price for the year ended 31 December 2019.

Other income and net gain

Other income and net gain mainly represents the government grant, sales of scrap materials, interest income from bank deposits and rental income, which decreased from approximately RMB1.9 million for the year ended 31 December 2018 to approximately RMB1.1 million for the year ended 31 December 2019.

Selling expenses

The Group's selling expenses mainly included transportation costs for its logistic team, staff costs, advertising expenses, entertainment expenses and consumables were approximately RMB6.4 million and RMB2.0 million for the year ended 31 December 2018 and 2019 respectively. The decrease was mainly due to the decrease in advertising activities of 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 amortisation, travelling and entertainment, office consumables and supplies, legal and professional fees and other miscellaneous administrative expenses. The Group recorded a decrease in administrative and other expenses by approximately RMB4.2 million, or approximately 18.7%, from approximately RMB22.1 million for the year ended 31 December 2018 to approximately RMB17.9 million for the year ended 31 December 2019.

Finance costs

The Group's finance costs mainly comprised of interest expenses on borrowings and discounted bills receivables. The finance costs increased by approximately RMB0.2 million, or approximately 5.3%, from approximately RMB2.8 million for the year ended 31 December 2018 to approximately RMB3.0 million for the year ended 31 December 2019. Such increase was mainly due to the higher interest rate of bank borrowings in the year ended 31 December 2019 as compared to the year ended 31 December 2018.

Loss for the year

As a result of the cumulative factors discussed above, the loss for the year was approximately RMB28.9 million as compared to loss for the year of approximately RMB7.9 million for the year ended 31 December 2018. Such increase was mainly due to (i) the decrease in gross profit; and (ii) increase in expected credit loss recognised under HKFRS 9 of approximately RMB4.4 million when comparing with for the year ended 31 December 2018.

Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2019, the Group's total cash and bank balances were approximately RMB4.4 million (31 December 2018: approximately RMB5.7 million). Gearing ratio of the Group remained relatively stable at approximately 42.9% and 69.6% as at 31 December 2018 and 2019 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 15 to 17 of this announcement.

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 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, there were no significant contingent liabilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 162 employees (31 December 2018: 199 employees). Staff costs of the Group (including Directors' remuneration, wages, salaries and other benefits and contribution to defined contribution pension plans) amounted to approximately RMB10.6 million for the year ended 31 December 2019 (for the year ended 31 December 2018: approximately RMB14.8 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 2019.

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 2019, 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 announcement, the Group did not have other plans for material investments or capital assets as at 31 December 2019.

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

As at 31 December 2019, 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") (<i>Note 1</i>)	Interest in spouse	124,875,000	31.22%

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 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.

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

As at 31 December 2019, 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.

Save as disclosed above, as at 31 December 2019, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

SHARE OPTION SCHEME

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

Up to the date of this announcement, 80,000,000 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.

Category of participants	Date of grant	Number of share options				Outstanding as at 31 December 2019	Exercisable period	Exercise price per share (HK\$)
		Granted during the year ended 31 December 2019	Exercised during the year ended 31 December 2019	Cancelled during the year ended 31 December 2019	Forfeited during the year ended 31 December 2019			
Employees								
	17 April 2018	-	-	-	-	32,000,000 <i>(note (i))</i>	10 years	0.375
	10 April 2019	36,000,000	-	-	-	36,000,000 <i>(note (ii))</i>	10 years	0.156
Consultants								
	17 April 2018	-	-	-	-	8,000,000 <i>(note (iii))</i>	10 years	0.375
	10 April 2019	4,000,000	-	-	-	4,000,000 <i>(note (iv))</i>	10 years	0.156

Notes:

- (i) The share options have been granted to 8 employees and each of them hold 4,000,000 share options.
- (ii) The share options have been granted to 9 employees and each of them hold 4,000,000 share options.
- (iii) The share options have been granted to consultant A and consultant B and each of them hold 4,000,000 share options.

Pursuant to the service agreement entered into the Company and consultant A, consultant A make use of her connections and networks in finding potential customers for the Company which is considered as Consultant of our Group in the corporate management area.

Pursuant to the service agreement entered into the Company and consultant B, consultant B make use of his connections and networks in finding potential customers for the Company which is considered as Consultant of the Group in the corporate management area.

Up to the date of this announcement, each of consultant A and consultant B introduced not less than 10 new customers to the Group.

- (iv) The share options have been granted to consultant C.

Pursuant to the service agreement entered into the Company and consultant C, consultant C make use of her professional knowledge and experience to monitor and improve the production efficiency for the Company which is considered as Consultant of the Group in the technical area.

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 2019.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

As at 31 December 2019, 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 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 2019.

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 except the following deviations:

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 17 June 2019.

For deviation from code provision E.1.2 of the CG Code, the Company Secretary had reminded the chairman to attend general meetings of the Company in future.

INTERESTS OF THE COMPLIANCE ADVISER

As disclosed in the Company's announcement dated 10 July 2019, the compliance adviser agreement with Dakin Capital Limited has been terminated with effect from 10 July 2019. Sorrento Capital Limited (the "Sorrento Capital") has been appointed as the new compliance adviser with effect from 10 July 2019.

As informed by Sorrento Capital, neither Sorrento Capital nor any of its directors or employees or associates, has or may have, any interest in the Group as at 31 December 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Sorrento Capital dated 10 July 2019.

AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2019 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 2019 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Liang Juncheng and 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. Hua Min and Ms. Xiao Ping.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.wanchengholdings.com.