

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

2022
ANNUAL REPORT

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.

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

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Corporate Information

DIRECTORS

Executive Directors:

Mr. 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 (*Chairlady*)
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

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

18/F, V. Heun Building
138 Queen's Road Central
Central
Hong Kong

Corporate Information *(Continued)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windard 3,
Regatta Office Park
PO BOX 1350
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

Dah Sing Bank Limited
Guangdong Shunde Rural Commercial
Bank Company Limited, Ronggui Branch

AUDITORS

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

STOCK CODE

8291

COMPANY'S WEBSITE

www.wanchengholdings.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of Wan Cheng Metal Packaging Company Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2022.

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

Over the years, our outstanding production management expertise and extensive industry experience have differentiated ourselves from other low end manufacturers in China. Whilst the increasing costs in China and COVID-19 will undoubtedly cause many weaker manufacturers to lose their advantages and finally go out of business, the resulting consolidation of China's manufacturing industry provides a much less crowded marketplace for surviving companies. We possess the management capability to overcome difficulties, and our ability to significantly improve our cash flows, including but not limited to minimise the fixed overhead cost, despite a difficult external environment in 2021, i.e. outbreak of COVID-19 and China-United States trade war, increasing manufacturing costs and cost of raw materials. Although there is continuous negative effect of China-United States trade war and outbreak of COVID-19, in view of our Group's experienced management team and reputation in the market, we remain optimistic about the Group's prospect.

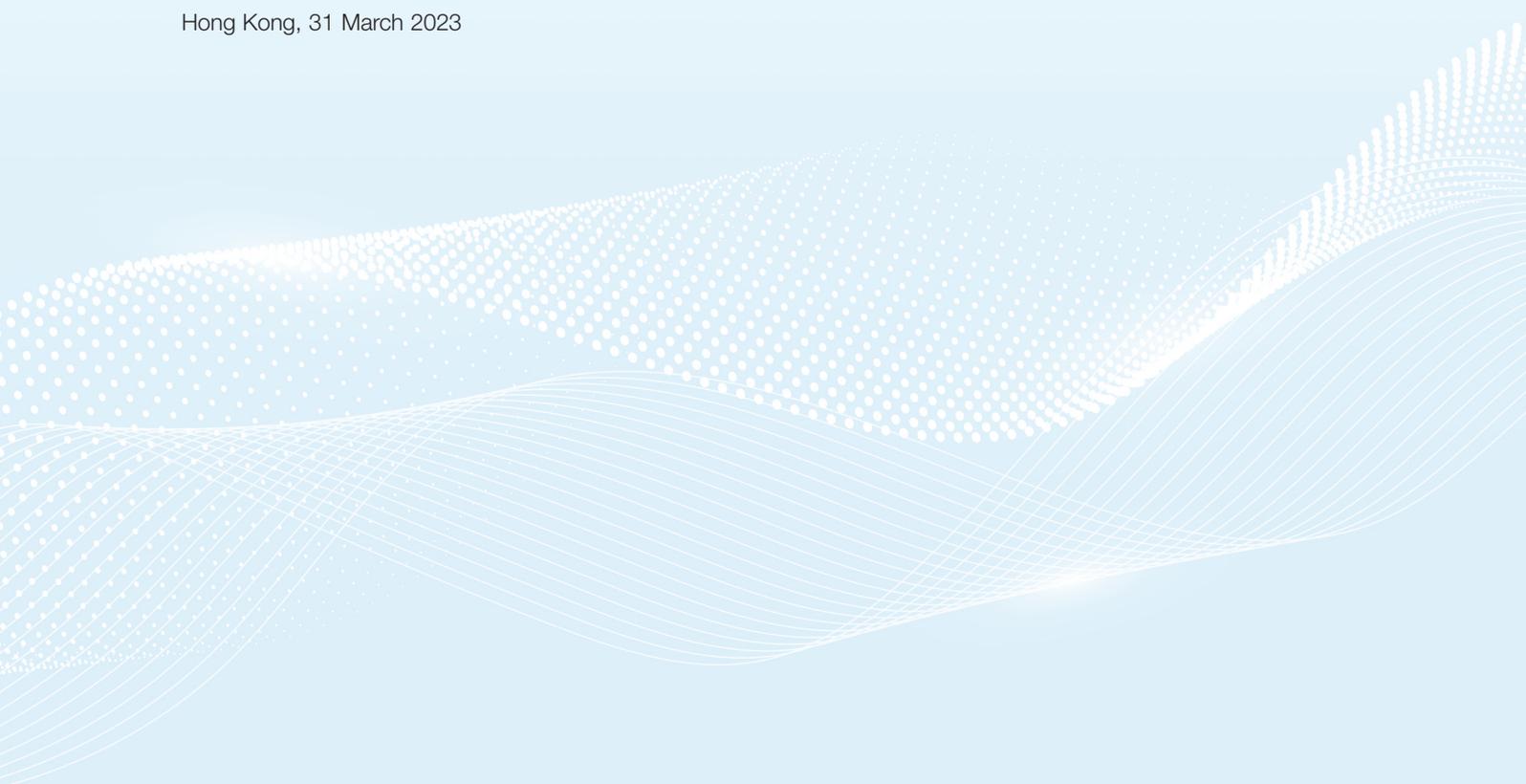
Lastly, on behalf of the Board and the management of the Group, I would like to express my sincere gratitude to all our staff for their unremitting efforts in 2022 and to all shareholders for their full support. I would also like to express my heartfelt thanks to all shareholders, investors, customers, suppliers and business partners for their valuable support.

On behalf of the Board,

Mr. Wang Yun

Executive Director

Hong Kong, 31 March 2023



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 2022, 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 RMB8.6 million, or approximately 18.9%, from approximately RMB45.6 million for the year ended 31 December 2021 to approximately RMB37.0 million for the year ended 31 December 2022, which was contributed by the decrease in sales order of the Group’s products and the decrease in average selling prices of the Group’s product.

The loss for the year ended 31 December 2022 was approximately RMB104.0 million as compared to loss for the year of approximately RMB54.7 million for the year ended 31 December 2021. Such increase was mainly due to the increase of impairment loss recognised on property, plant and equipment.

Looking forward, the Group is going to further consolidate its market share in the tinplate packaging business and to continue to expand domestically. 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 channel 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. Besides, in order to improve the Group’s cash flow, the management team aims to adopt cost control strategy which including but not limited to minimise the fixed overhead costs.

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

Management Discussion and Analysis (Continued)

DEBTS AND CHARGE ON ASSETS

The Group had secured borrowings of RMB110.8 million and RMB126.0 million and unsecured borrowings of RMBNil million and RMBNil million as at 31 December 2022 and 31 December 2021 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 RMB1.5 million and approximately RMB2.2 million as at 31 December 2022 and 31 December 2021 respectively;
- (b) Pledge of right-of-use assets by the Group with carrying amount of approximately RMB1.2 million (2021: RMB4.8 million) as at 31 December 2022; and
- (c) Personal guarantees executed by the directors of the subsidiaries.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2022 and 31 December 2021 is amounted to approximately RMBNil million and RMBNil million, respectively.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2022 and 31 December 2021 is amounted to approximately RMB32.0 million and RMB22.0 million respectively.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2022, 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 RMB8.6 million, or approximately 18.9%, from approximately RMB45.6 million for the year ended 31 December 2021 to approximately RMB37.0 million for the year ended 31 December 2022. Such decrease was mainly due to the decrease in sales order and the average selling prices of the Group's products during the year.

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 RMB3.8 million, or approximately 10.4% from approximately RMB36.7 million for the year ended 31 December 2021 to approximately RMB32.9 million for the year ended 31 December 2022. Such decrease was consistent with decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB8.9 million for the year ended 31 December 2021 to approximately RMB4.1 million for the year ended 31 December 2022.

Gross profit margin decreased from approximately 19.6% for the year ended 31 December 2021 to 11.0% for the year ended 31 December 2022. The decrease was mainly due to the decrease in average selling price for the year ended 31 December 2022 comparing with that for the year ended 31 December 2021.

Other income and net gains or loss

Other income and net gains or loss mainly represents the impairment loss recognised on property, plant and equipment, loss allowance on trade receivables the government grant, sales of scrap materials, interest income from bank deposits and rental income. The Group record an increase in other income and net gains by approximately RMB50.0 million, or approximately 129.5% from approximately RMB38.6 million for the year ended 31 December 2021 to approximately RMB86.6 million for the year ended 31 December 2022. The increase mainly due to the increase of impairment loss recognised on property, plant and equipment for year ended 31 December 2022 comparing with that for the year ended 31 December 2021.

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 RMB2.3 million and RMB2.0 million for the year ended 31 December 2021 and 2022 respectively which decreased by approximately RMB0.3 million or approximately 13.0%. The decrease was mainly due to the decrease in sales order which in line with the decrease in revenue.

Management Discussion and Analysis (Continued)

Administrative and other expenses

The Group's administrative and other expenses mainly included staff costs, building administrative fees, other tax expenses, depreciation and amortisation, travelling and entertainment, office consumables and supplies, legal and professional fees and other miscellaneous administrative expenses. The Group recorded an increase in administrative and other expenses by approximately RMB0.4 million, or approximately 2.8%, from approximately RMB14.4 million for the year ended 31 December 2021 to approximately RMB14.8 million for the year ended 31 December 2022. The increase mainly represent the increase in staff costs.

Finance costs

The Group's finance costs mainly comprised of interest expenses on bank borrowings and discounted bills receivables. The finance costs decreased by approximately RMB4.1 million, or approximately 46.6%, from approximately RMB8.8 million for the year ended 31 December 2021 to approximately RMB4.7 million for the year ended 31 December 2022. Such decrease was mainly due to the decrease in average balance of bank borrowings and lease liabilities during the year ended 31 December 2022 as compared to the year ended 31 December 2021.

Loss for the year

As a result of the cumulative factors discussed above, the loss for the year was approximately RMB104.0 million as compared to loss for the year of approximately RMB54.7 million for the year ended 31 December 2021. Such increase was mainly due to the increase of impairment loss recognised on property, plant and equipment comparing that for the year ended 31 December 2021.

Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2022.

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 2022, the Group's total cash and bank balances were approximately RMB30.9 million (31 December 2021: approximately RMB9.3 million). Gearing ratio of the Group increased to 100.5% as at 31 December 2022 from 62.0% as at 31 December 2021. Gearing ratio is defined as total interest-bearing debt over total assets as at the end of the reporting period. Current ratio of the Group remain stable at 0.96 and 1.07 as at 31 December 2022 and 2021 respectively.

Management Discussion and Analysis (Continued)

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 8 to 9 of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in the annual report, the Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 December 2022.

CONTINGENT LIABILITIES

As at 31 December 2022, there were no significant contingent liabilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 130 employees (31 December 2021: 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 RMB6.4 million for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately RMB6.1 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

As at 31 December 2022, the Group held 14 listed equity securities in Hong Kong with the fair value of RMB10.2 million. In light of the recent volatile financial market in Hong Kong, the Group intends to diversify its investment portfolio in order to reduce the relevant concentration and investment risks and will closely monitor the performance of this business. The Group will keep adopting a prudent investment attitude and develop its investment strategy with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

Details of the Group's top held-for-trading investments, in terms of fair value as at 31 December 2022, are as follows:

Company Name/Stock Code	% of shareholding as at 31 December 2022	Fair value gain/(loss) for the year ended 31 December 2022 RMB'000	Fair value as at 31 December 2022 RMB'000	% of total assets of the Group as at 31 December 2022
Securities listed in Hong Kong				
Harbour Digital Asset Capital Limited ("HDAC") (913) (Note (a))	3.70%	(2,130)	5,322	4.8%
Others (Note (b))			4,877	4.4%
			<u>10,199</u>	<u>9.2%</u>

Notes:

- (a) HDAC is principally engaged in the investments in listed and unlisted securities. As disclosed in the interim report of HDAC for the six months ended 30 June 2022, it recorded unaudited net loss attributable to its owners of HK\$42.2 million for the six months ended 30 June 2022.
- (b) Save as disclosed above, none of these investments represented more than 5% of the total assets of the Group as at 31 December 2022.

Looking ahead, the Directors believe that the future performance of the above investments held by the Group will be volatile and substantially affected by overall economic environment, equity market conditions, investor sentiment and the business performance and development of the investee companies. Accordingly, the Group will continue to maintain a diversified portfolio of investment of various industries to minimise the possible financial risks. Also, the Directors will cautiously assess the performance progress of the investment portfolio from time to time.

Management Discussion and Analysis (Continued)

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2022, the Group did not hedge any exposure to foreign exchange risk.

CAPITAL STRUCTURE

Details the Company's share capital are set out in note 27 to the consolidated financial statements included in this annual report.

The capital structure of the Group and major fund raising activities during the Year are summarised as below:

Share Consolidation

On 20 September 2022, the share consolidation which involves the consolidation of every four (4) issued and unissued Shares of par value of HK\$0.05 each into one (1) consolidated share of par value of HK\$0.20 each become effective. For details, please refer to the announcement of the Company dated 14 July 2022 and 16 September 2022 and the circular of the Company dated 25 August 2022.

Rights Issue and Use of Proceeds

On 28 October 2022, an aggregate of 80,000,000 rights shares has been issued pursuant to the rights issue prospectus of the Company dated 30 September 2022 and the allotment results announcement of the Company dated 27 October 2022. The estimated net proceeds from the Rights Issue will accordingly be approximately HK\$24.0 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 2022. The net issue price of each Share subject to the rights issue is approximately HK\$0.28. As at the date of this annual report, approximately HK\$24.0 million of the net proceeds has been utilised for repayment of the borrowings of the Group.

Details of the rights issue were disclosed in the Company's prospectus dated 30 September 2022 and the Company's announcement dated 27 October 2022.

Except for the changes mentioned elsewhere in the Annual Report, 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 this annual report, the Group did not have other plans for material investments or capital assets as at 31 December 2022.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Yun, aged 44, has over 19 years of management experience in different industries, of which held a managerial position in a sizable manufacturing company in the People's Republic of China for 10 years. He is experienced in sales and marketing and quality control management.

Mr. Zou Yonggang, aged 40, has over 12 years of working experience in the manufacturing industry. He was responsible for the overall management and supervision of the manufacturing process including but not limited to implementation of total quality management and cost control strategies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sui Chi, aged 55, is an independent non-executive Director since February 2017. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee. Mr. Wong has over 20 years of finance and accounting experience. He has been serving as the financial controller of a company which is principally engaged in retailing and wholesaling of eyewear products since March 2012. He was serving as an independent non-executive director of BCI Group Holdings Limited (a company listed on the Stock Exchange (stock code: 8412)) from March 2017 to February 2021. Mr. Wong was an independent non-executive director of Net-A-Go Technology Company Limited (a company listed on the Stock Exchange (stock code: 1483)) from November 2013 to October 2016. He was also an independent non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Stock Exchange (stock code: 1355)) from December 2012 to July 2015. Mr. Wong received a bachelor degree in accountancy from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1991, a master degree of science in financial management from the University of London in December 2003 and a certificate in taxation and accounting in PRC from The Hong Kong Polytechnic University China Business Centre in August 2004. Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since April 2008 and an associate of the Institute of Chartered Accountants in England and Wales since July 2008.

Ms. Ha Yee Lan Elaine, aged 36, has over 10 years of management experience in service industries, of which held a managerial position in a sizable company in Hong Kong over 8 years. She is experienced in sales and marketing, inventory management and quality control management.

Mr. Wu Chi King, aged 41, received a Bachelor of Computer Science from Monash University and is a certified public accountant of Certified Practising Accountant Australia. He has accumulated extensive experience in finance and accounting by working in various listed and sizable companies in Hong Kong. He has also been serving as an independent non-executive director of Mansion International Holdings Limited (a company listed on the Stock Exchange (Stock Code: 8456)) since June 2021 and Palinda Group Holdings Limited (a company listed on the Stock Exchange (Stock Code: 8179)) since September 2022.

Biographical Details of Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. He Jieming, aged 52, is the deputy general manager of Wancheng Shunde and responsible for the overall day-to-day administration and management of the Group. Mr. He has over 19 years of experience in the tinplate packaging industry. Mr. He joined the Group in August 1997 as the sales manager of Wancheng Shunde and was promoted to the current position in June 2015.

Mr. Ye Zhijian, aged 39, is the chief officer of the quality control team of the production department of Wancheng Shunde, which is responsible for the overall quality control of the Group. Mr. Ye has approximately 12 years of experience in the tinplate packaging industry. Mr. Ye joined the Group as a production assistant of Wancheng Shunde in November 2004 and was promoted to the current position in April 2014.

Ms. Feng Yanqun, aged 54, is the accounting manager of Wancheng Shunde and responsible for the overall financial administration and inventory management of Wancheng Shunde. Ms. Feng has approximately 14 years of experience in accounting and inventory management. Ms. Feng joined the Group as an accounting officer of Wancheng Shunde in January 2002 and was promoted to the current position in October 2014. Ms. Feng received the certificate of accounting professional from the Shunde Finance Bureau in September 2004.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Board is satisfied that the Company had complied with the CG Code during the year ended 31 December 2022.

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 2022.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2022, the Board comprised of two executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Wang Yun
Mr. Zou Yonggang

Independent Non-executive Directors

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

Corporate Governance Report (Continued)

FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE BOARD

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

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

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

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

Corporate Governance Report (Continued)

BOARD/BOARD COMMITTEE MEETINGS

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. An agenda and accompanying papers together with all appropriate information will be sent to all Directors at least three days before each Board or committee meeting so as to ensure timely access to relevant information. Appropriate notice of at least 14 days for regular Board meetings and reasonable notice for other Board committee meetings will be given to all Directors, who will all be given an opportunity to attend and include matters in the agenda for discussion. Senior management will be invited to join all Board meetings to enhance communication between the Board and management. The Board and each Director will also have separate and independent access to senior management whenever necessary. The company secretary will take detailed minutes of the meetings and keep records of matters discussed and decisions resolved at the meetings, including any concerns raised or dissenting views expressed by Directors, and the voting results of Board meetings fairly reflect Board consensus. Both draft and final versions of the minutes will be sent to all Directors for their comments and records respectively, within a reasonable time after each meeting, and such minutes will be open for inspection with reasonable advance notice by any Director. Directors are entitled to have access to board papers and related materials, and any queries will be responded to fully. There were 8 board meetings held during the year ended 31 December 2022.

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

Meetings Held and Attendance

The composition of the Board and the committees, and the individual attendance records of each Director at the Board and committees' meetings, and general meetings during the year ended 31 December 2022 are set out below:

Name of Directors	Meetings attended/Meetings held				
	Board meetings	Audit committee meetings	Remuneration committee meetings	Nomination committee meetings	General meetings
Executive Directors					
Mr. Wang Yun	8/8	N/A	N/A	N/A	2/2
Mr. Zou Yonggang	8/8	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Mr. Wong Sui Chi	8/8	4/4	2/2	2/2	2/2
Ms. Ha Yee Lan Elaine	8/8	4/4	2/2	2/2	2/2
Mr. Wu Chi King	8/8	4/4	2/2	2/2	2/2

Corporate Governance Report (Continued)

CORPORATE GOVERNANCE FUNCTIONS

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

CONTINUING PROFESSIONAL DEVELOPMENT

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

During the year ended 31 December 2022, all Directors have participated in continuing professional development by attending training courses organised by the Company and reading relevant materials on topics related to corporate governance and regulatory matters. The Directors have confirmed that they have received the trainings as follows:

Name of Directors	Type of trainings
Mr. Wang Yun	A, B
Mr. Zou Yonggang	A, B
Mr. Wong Sui Chi	A, B
Ms. Ha Yee Lan Elaine	A, B
Mr. Wu Chi King	A, B

A: *attending seminars/conferences/forums*

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

Corporate Governance Report (Continued)

BOARD COMMITTEES

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

Audit Committee

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

The audit committee consists of three independent non-executive Directors, namely Mr. Wong Sui Chi, Ms. Ha Yee Lan Elaine and Mr. Wu Chi King. Mr. Wong Sui Chi is the chairman of the audit committee. During the year ended 31 December 2022, four meetings were being held for audit committee.

Remuneration Committee

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

The remuneration committee consists of three independent non-executive Directors, namely Ms. Ha Yee Lan Elaine, Mr. Wong Sui Chi and Mr. Wu Chi King. Ms. Ha Yee Lan Elaine is the chairman of the remuneration committee. During the year ended 31 December 2022, two meetings were being held for remuneration committee.

Corporate Governance Report (Continued)

Nomination Committee

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

The nomination committee consists of three independent non-executive Directors, namely Mr. Wu Chi King, Mr. Wong Sui Chi and Ms. Ha Yee Lan Elaine. Mr. Wu Chi King is the chairman of the nomination committee. During the year ended 31 December 2022, two meetings were being held for nomination committee.

Board Diversity

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

ACCOUNTABILITY AND AUDIT

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

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

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

Corporate Governance Report (Continued)

The responsibility of the Company's auditor, Elite Partners CPA Limited, are set out in the section "Independent Auditor's Report" on pages 35 to 39 of this annual report.

For the year ended 31 December 2022, the fees in respect of the audit services provided to the Group by Elite Partners CPA Limited, are set out as follows:

Nature of services	For the year ended 31 December 2022 RMB'000
Audit services	446
Other services	-

RISK MANAGEMENT AND INTERNAL CONTROL

The Group recognise the need for risk management and internal control in its strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks that may impact the continued efficiency and effectiveness of the Group's operations or prevent it from achieving its business objectives. Details on risks faced by the Group is set out in the section "Principal Risks and Uncertainties" on pages 26 to 27 of this annual report. All such risks may arise from time to time in connection with the operations of the Group.

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

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

- (i) the Board conducts a thorough examination of any material risks associated with any material business decision before making or approving such decision;
- (ii) the senior management monitors daily operations and any associated operational risks of the Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks;
- (iii) the audit committee review the internal control system and procedures for compliance with the requirements of applicable laws, rules and regulations;

Corporate Governance Report (Continued)

- (iv) the accounting department frequently monitors and tracks the ageing of the trade receivables to ensure prompt billings and hence encourage prompt settlements. The status of any outstanding/unsettled payments owed to the Group is updated periodically to ensure that timely and necessary steps are taken, including issuing written reminders, telephone calls and legal actions, so as to recover the outstanding trade receivables;
- (v) the Directors and senior management regularly attended training sessions regarding the material PRC laws and regulations applicable to the Group's business operations; and
- (vi) the Group provide training to its employees in order to enhance their industry knowledge to manage the Group's operational risks.

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

COMPANY SECRETARY

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

For the year ended 31 December 2022, Mr. Chiu has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Wang Yun, an executive Director, is the compliance officer of the Group. Please refer to his biographical details as set out on page 13 of this annual report.

Corporate Governance Report (Continued)

SUFFICIENCY OF PUBLIC FLOAT

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

SHAREHOLDERS' RIGHTS

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

Procedures for Nominating a New Director

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

Procedures for Convening EGM

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

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

Procedures for Sending Enquiries to the Board

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

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

Corporate Governance Report (Continued)

Procedures for Putting forward Proposals at General Meetings

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

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

INVESTOR RELATIONS

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there had been no significant change in the Company's constitutional documents. The Memorandum and Articles of Association are available on the websites of the Stock Exchange and the Company.

Directors' Report

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Details of the discussion and analysis of the principal activities, including a business review, of the Group for the year ended 31 December 2022, can be found in the section "Management Discussion and Analysis" as set out on pages 6 to 12 of this annual report. These discussions form part of this Directors' report.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statements of profit or loss and other comprehensive income on page 40 of this annual report.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 102 of this annual report. The summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 43 and note 36 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 14 to the consolidated financial statements.

Directors' Report (Continued)

SHARE CAPITAL

Details of the movements during the year ended 31 December 2022 in the share capital of the Company are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law of the Cayman Islands, share premium and retained profits of the Company are distributable to the shareholders. As at 31 December 2022, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately RMBNil million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the largest customer accounted for approximately 27.5% (2021: 23.3%) of the total revenue. For the year ended 31 December 2022, the percentage of revenue derived from the five largest customers in aggregate was approximately 76.6% (2021: 64.7%).

For the year ended 31 December 2022, the largest supplier accounted for approximately 42.5% (2021: 43.6%) of the total purchases. For the year ended 31 December 2022, the five largest suppliers in aggregate accounted for approximately 67.5% (2021: 65.5%) of the total purchases.

None of the Directors, their respective close associates or any shareholder of the Company (which, to the best knowledge of the Directors, own more than 5% of the issue share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and suppliers during the year ended 31 December 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Business risk

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

Directors' Report (Continued)

Reliance on major customers

Sales to the Group's five largest customers for the year ended 31 December 2022 accounted for approximately 76.6% of the total revenue. The Group do not enter into any long-term contract with purchase obligations with these customers and cannot assure you these five largest customers will continue to do business with the Group at the same or increased levels or at all. If any of the major customers were to substantially reduce the volume and/or the value of their businesses with the Group and the Group were unable to expand its business with existing customers or attract new customers at desired levels, the Group may experience slower or no growth at all or decrease in revenue, and the Group's business, financial position and results of operations would be materially and adversely affected.

Reliance on major suppliers

Purchases from the Group's five largest suppliers for the year ended 31 December 2022 accounted for approximately 67.5% of the total purchases. Purchases from the largest supplier for the year ended 31 December 2022 accounted for approximately 42.5% of the total purchases.

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

Reliance on raw materials

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

ENVIRONMENTAL, SOCIAL AND GOVERNMENT REPORT

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to avoid material environmental pollution, and ensure our compliance of prevailing environmental protection laws and regulations. For the purpose of disclosing the information in relation to environmental, social and government ("ESG") in accordance with the ESG Reporting Guide in Appendix 20 to the GEM Listing Rules, an ESG report of the Company is published with the annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the GEM. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2022, the Company complied with the relevant laws and regulations in the PRC and Hong Kong in all material respects.

Directors' Report (Continued)

KEY RELATIONSHIPS

Employees

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

Suppliers

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

Customers

During the year ended 31 December 2022, the Group sold the tinsplate packaging products directly to the customers predominantly in the Guangdong Province, which mainly comprising paint and coatings suppliers and other manufacturers of packaging products. The Group stays connected with its customers and has ongoing communication with the customers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this report were as follows:

Executive Directors

Mr. Wang Yun

Mr. Zou Yonggang

Independent Non-executive Directors

Mr. Wong Sui Chi

Ms. Ha Yee Lan Elaine

Mr. Wu Chi King

Pursuant to the Articles of Association, Mr. Wang Yun and Mr. Wong Sui Chi will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report (Continued)

Directors' Service Contracts

Mr. Wang Yun and Mr. Zou Yonggong have entered into a service agreement with the Company as an Executive Director on 22 October 2019 with no fixed term of service. Mr. Wang Yun and Mr. Zou Yonggong shall hold office only until the next general meeting of the Company and shall be eligible for re-election at that meeting.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. Mr. Wong Sui Chi, Ms. Ha Yee Lan Elaine and Mr. Wu Chi King are appointed with an initial term of three years, one year and one year commencing from the execution date and will continue thereafter until terminated by not less than three months' notice, one month's notice and one month's notice in writing served by either party on the other respectively.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save for the related party transactions disclosed in note 29 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, or holding company was a party and in which a Director or an entity connected with a Director had a material interests, whether directly or indirectly, subsisted during or at the end of the year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

Directors' Report (Continued)

PERMITTED INDEMNITY

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate liabilities insurance to indemnify the Directors from any liabilities and costs arising from the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in this annual report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year ended 31 December 2022.

EMOLUMENT POLICY FOR DIRECTORS

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

DIVIDEND POLICY

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

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

Directors' Report (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 31 December 2022, 15,988,552 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\$0.20 each of the Company.

Category of participants	Date of grant	Vesting period	Number of share options					Outstanding as at 31 December 2022	Exercisable period	Exercise price per share (HK\$)
			Outstanding as at 1 January 2022	Granted during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Lapsed/ cancelled during the year ended 31 December 2022	Forfeited during the year ended 31 December 2022			
Executive director										
Mr. Wang Yun	18 May 2020	No	314,920	-	-	-	-	314,920	3 years	0.696
	20 May 2021	No	774,000	-	-	-	-	774,000	3 years	0.508
Mr. Zou Yonggang	18 May 2020	No	314,920	-	-	-	-	314,920	3 years	0.696
	20 May 2021	No	774,000	-	-	-	-	774,000	3 years	0.508
Independent non-executive director										
Ms. Ha Yee Lan Elaine	18 May 2020	No	314,920	-	-	-	-	314,920	3 years	0.696
	20 May 2021	No	516,000	-	-	-	-	516,000	3 years	0.524
Employees										
	10 April 2019	No	2,204,440	-	-	-	-	2,204,440 (note i)	10 years	1.981
	18 May 2020	No	2,204,440	-	-	-	-	2,204,440 (note i)	3 years	0.696
	6 April 2022	No	-	8,256,000	-	-	-	8,256,000 (note ii)	3 years	0.400
Consultants										
	10 April 2019	No	314,912	-	-	-	-	314,912 (note iii)	10 years	1.981
			7,732,552	8,256,000	-	-	-	15,988,552		

The closing price of the Company's shares immediately before the date of grant of share options on 6 April 2022 was HK\$0.104. As the Company completed share consolidation in September 2022, the theoretical value of the Company's shares as at 6 April 2022 is HK\$0.416.

Notes:

- (i) The share options have been granted to 7 employees and each of them hold 314,920 share options.
- (ii) The share options have been granted to 10 employees and each of them hold 825,600 share options.
- (iii) The share options have been granted to consultant A.

Pursuant to the service agreement entered into the Company and consultant A, consultant A 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.

Directors' Report (Continued)

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year ended 31 December 2022, except for those disclosed in note 31 to the consolidated financial statements, the Group had no material transactions with its related parties.

The Directors conducted review of the related party transactions of the Group during the year ended 31 December 2022 and were not aware any transaction requiring disclosure of connected transactions in accordance with the requirements of the GEM Listing Rules.

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

As at 31 December 2022, 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, unlisted share options	1,088,920	0.68%
Mr. Zou Yonggang	Beneficial owner, unlisted share options	1,088,920	0.68%
Ms. Ha Yee Lan Elaine	Beneficial owner, unlisted share options	830,920	0.52%

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Report (Continued)

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

As at 31 December 2022, 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.

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 2022.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

As at 31 December 2022, 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 2022.

Directors' Report (Continued)

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.

AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2022 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 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by Elite Partners CPA Limited, who will retire, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Elite Partners CPA Limited as auditor of the Company.

By order of the Board

Wan Cheng Metal Packaging Company Limited

Wang Yun

Executive Director

Hong Kong, 31 March 2023

Independent Auditor's Report



To the members of Wan Cheng Metal Packaging Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wan Cheng Metal Packaging Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 40 to 101, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB104,035,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB3,513,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of non-current assets</p> <p>Refer to note 14 to the consolidated financial statements.</p> <p>The Group had significant property, plant and equipment and right-of-use assets amounting to approximately RMB23,648,000 and RMB1,152,000 respectively as at 31 December 2022. The management of the Group conducted impairment assessment on recoverable amount of the cash-generating-unit ("CGU") to the assets.</p> <p>Accordingly, the management performed impairment test based on the value in use calculation using discounted cash flow projections. This matter was significant to our audit because the process of impairment testing was complex and involved significant judgements.</p> <p>We had identified impairment assessment of this CGU as a key audit matter because significant management judgement was required to determine the key assumptions.</p>	<p>Our procedures to address the management impairment assessment of property, plant and equipment included:</p> <ul style="list-style-type: none"> • We discussed with management as to whether there was any indicator of impairment; • We evaluated the methodologies used in the impairment analysis, in particular discount rate and long-term growth rate; • We evaluated the key assumptions and the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGUs and the business development plan; and • We checked on a sample basis, the accuracy and reliance of the input data used.

Independent Auditor's Report (Continued)

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

Independent Auditor's Report (Continued)

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report (Continued)

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

The engagement partner on the audit resulting in the independent auditor's report is Siu Jimmy with Practising Certificate Number P05898.

Elite Partners CPA Limited

Certified Public Accountants

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

Hong Kong, 31 March 2023



Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	6	37,014	45,622
Cost of sales		(32,933)	(36,674)
Gross profit		4,081	8,948
Other income and net gain or loss	7	(86,612)	(38,573)
Selling expenses		(1,974)	(2,252)
Administrative and other expenses		(14,849)	(14,487)
Gain on fair value change on investment properties	16	–	320
Finance costs	8	(4,681)	(8,847)
Loss before taxation	10	(104,035)	(54,891)
Income tax credit	9	–	188
Loss for the year		(104,035)	(54,703)
Other comprehensive income for the year:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements		(42)	1,413
Total comprehensive loss for the year		(104,077)	(53,290)
Loss for the year attributable to owners of the Company:		(104,077)	(53,290)
Loss per share (cents)			(Restated)
– Basic and diluted	13	(1.05)	(0.64)

Consolidated Statement of Financial Position

	Notes	At at 31 December	
		2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	14	23,648	94,941
Right-of-use assets	15	1,152	4,797
		24,800	99,738
Current assets			
Inventories	17	16,277	10,972
Financial assets at fair value through profit or loss	19	10,199	12,990
Trade and bills receivables	18	18,774	27,355
Prepayment and other receivables	20	9,222	42,992
Pledged bank deposits	21	5,098	–
Cash and cash equivalents	21	25,815	9,228
		85,385	103,537
Current liabilities			
Trade and bills payables	22	31,862	38,128
Accruals and other payables	23	24,253	8,527
Lease liabilities	24	3,630	11,018
Borrowings	25	28,000	38,000
Income tax payable		1,153	1,153
		88,898	96,826
Net current (liabilities)/assets		(3,513)	6,711
Total assets less current liabilities		21,287	106,449
Non-current liability			
Lease liabilities	24	–	196
Borrowings	25	82,750	88,000
		82,750	88,196
Net (liabilities)/assets		(61,463)	18,253

Consolidated Statement of Financial Position (Continued)

	Notes	At at 31 December	
		2022 RMB'000	2021 RMB'000
Capital and reserves			
Share capital	27	27,909	13,131
Reserves	28	(89,372)	5,122
Total equity		(61,463)	18,253

The consolidated financial statements on page 40 to 101 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Wang Yun
 Director

Zou Yonggang
 Director

Consolidated Statement of Changes in Equity

Attributable to owners of the Company

	Share capital RMB'000 (note 27)	Share premium RMB'000 (note 28(i))	Statutory reserve fund RMB'000 (note 28(ii))	Capital reserve RMB'000 (note 28(iii))	Share option reserve RMB'000 (note 28(iv))	Exchange reserve RMB'000 (note 28(v))	Other reserve RMB'000 (note 28(vi))	Property revaluation reserve RMB'000 (note 28(vii))	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
As at 1 January 2021	3,372	87,552	3,826	7,200	3,544	3,495	(28,141)	7,772	(29,129)	59,491
Loss for the year	-	-	-	-	-	-	-	-	(54,703)	(54,703)
Other comprehensive income:										
Exchange difference on translations of financial statements	-	-	-	-	-	1,413	-	-	-	1,413
Total comprehensive income/(loss) for the year	-	-	-	-	-	1,413	-	-	(54,703)	(53,290)
Share options issue	-	-	-	-	479	-	-	-	-	479
Lapse of share options	-	-	-	-	(586)	-	-	-	586	-
Transfer of property valuation reserve	-	-	-	-	-	-	-	(7,772)	7,772	-
Proceeds from right issue	9,759	9,456	-	-	-	-	(7,642)	-	-	11,573
As at 31 December 2021 and as at 1 January 2022	13,131	97,008	3,826	7,200	3,437	4,908	(35,783)	-	(75,474)	18,253
Loss for the year	-	-	-	-	-	-	-	-	(104,035)	(104,035)
Other comprehensive income:										
Exchange difference on translations of financial statements	-	-	-	-	-	(42)	-	-	-	(42)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(42)	-	-	-	(42)
Share options issue	-	-	-	-	1,266	-	-	-	-	1,266
Lapse of share options	-	-	-	-	-	-	-	-	-	-
Proceeds from right issue	14,778	8,317	-	-	-	-	-	-	-	23,095
As at 31 December 2022	27,909	105,325	3,826	7,200	4,703	4,866	(35,783)	-	(179,509)	(61,463)

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Loss before taxation		(104,035)	(54,891)
Adjustments for:			
Depreciation of property, plant and equipment	14	8,051	8,205
Depreciation of right-of-use assets	15	154	155
Gain on fair value change on investment properties	16	–	(320)
Gain on disposal of a subsidiary	7	–	(3,105)
Loss/(gain) on fair value of financial assets at FVTPL	7	4,782	(6,876)
Provision/(reversal) of impairment loss recognised under expected credit loss model, on trade receivable and other receivable, net of reversal	7	6,681	(123)
Impairment losses on property, plant and equipment	7	75,115	52,992
Interest expenses	8	4,681	8,847
Interest income from bank deposits	7	(2)	(7)
Share-based payment expense	29	1,266	479
Operating cash flows before movements in working capital		(3,307)	5,356
Decrease in inventories		(5,305)	(4,579)
Decrease in trade and bills receivables		1,900	4,443
Increase/(decrease) in prepayment and other receivables		33,770	(25,652)
Decrease/(increase) in trade and bills payables		(6,266)	6,142
Decrease/(Increase) in accruals and other payables		15,726	(10,254)
Cash generated from/(used in) operations		36,518	(24,544)
Interest received		2	7
Net cash generated from/(used in) operating activities		36,520	(24,537)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(8,342)	(10,741)
Purchase of financial assets at FVTPL		(1,991)	(6,114)
Net cash inflows from disposal of subsidiaries		–	(15,515)
Net cash used in investing activities		(10,333)	(32,370)
Cash flows from financing activities			
Interest paid		(4,681)	(7,152)
Proceeds from borrowings		28,000	70,000
Repayments of borrowings		(43,250)	(34,531)
Proceeds from lease liabilities		3,556	–
Payment of lease liabilities		(11,140)	(5,615)
Withdrawal/(placement) of pledged bank deposits		(5,098)	5,000
Proceeds from issue of new shares upon right issue		23,095	11,573
Net cash (used in)/generated from financing activities		(9,518)	39,275
Net increase/(decrease) in cash and cash equivalents		16,669	(17,632)
Cash and cash equivalents at the beginning of the reporting period		9,228	25,763
Effect on exchange rate changes on cash and cash equivalents		(82)	1,097
Cash and cash equivalents at the end of the reporting period	21	25,815	9,228

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Wan Cheng Metal Packaging Company Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is 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 functional currency of the Company is Hong Kong dollar (“HKD”). However, the consolidated financial statements is presented in Renminbi (“RMB”) instead of its functional currency as RMB is the principal currency of the economic environment on which the Group operates. All values are rounded to the nearest thousands, except when otherwise indicated.

At the end of the reporting period, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name of subsidiary	Country/place of incorporation/ principal country of operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activities
			2022	2021	
佛山市順德區萬成金屬包裝有限公司 (Foshan City Shunde Wancheng Metal Packaging Company Limited*)	The PRC	RMB2,000,000	100%	100%	Tin Operation and property holding
Wan Cheng Group Limited	BVI	US\$1	100%	100%	Investment holding
Wan Cheng Group (Hong Kong) Limited 萬成金屬集團有限公司	Hong Kong	HKD10,000	100%	100%	Tin Operation

* For identification purposes only

Notes to the Consolidated Financial Statements (Continued)

1. CORPORATE INFORMATION (Continued)

None of the subsidiaries had debt securities outstanding at the end of the year or at any time during the year.

Except for Wan Cheng Group Limited which are directly held by the Company, all other subsidiaries are indirectly held by the Company.

As at 31 December 2022 and 2021, the Group did not have any non-controlling interests.

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

a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the 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.

Notes to the Consolidated Financial Statements (Continued)

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

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

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

HKFRS 17 (including the June 2020 and December 2021 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by 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 Hong Kong Companies Ordinance.

3.2 Basis of preparation

Going concern assessment

For the year ended 31 December 2022, the Group incurred a net loss of RMB104,077,000 and as of that date, the Group has net current liabilities of RMB3,513,000 and the Group’s current portion of borrowings amounted to RMB28,000,000, while its cash and cash equivalents (excluding restricted cash) amounted to RMB25,815,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

Nevertheless, the consolidated financial statements have been prepared on the going concern basis because the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2022, after taking into consideration of the following:

- (i) The Group may seek other financing resources (including but not limited to issue of shares or obtain other credit facility) to meet its liabilities and obligation as and when they are fall due;
- (ii) The Group continues to improve the operating efficiency by implementing measures to tighten cost controls, over various operating expenses in order to enhance its profitability and to improve the cash flow from its operation in future.

The directors of the Company consider that, after taking into account the aforementioned measures, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Should the Group be unable to achieve the above plans and measures such that it would not be operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group’s assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and noncurrent liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investments properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Property, plant and equipment measured using revaluation model

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Buildings	20-30 years
Machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Impairment of property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and bills receivables, other receivables, pledged bank deposits and cash and cash equivalent) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (a) an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- (b) significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- (c) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (d) an actual or expected significant deterioration in the operating results of the debtor; or
- (e) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bills receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Lifetime ECL for certain trade and bills receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including (trade and bills payables, accruals and other payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.9 Inventories

Inventories are initially recognised at cost, and subsequently stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of the inventories are determined on a weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Cash and cash equivalents

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

3.11 Employee benefits

(i) Short term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(ii) Retirement benefit obligations

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Employee benefits (Continued)

(iii) Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings/(accumulated losses).

(iv) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3.12 Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

3.13 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Income taxes (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Income taxes (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Revenue from contracts with customers (Continued)

Revenue from sales of tinplate packaging products

Revenue from sales of tinplate packaging products is recognised at a point in time when control of the goods has been transferred, being when the tinplate packaging products have been delivered to the location designated by the distributor. The normal credit term is up to 30-120 days.

3.17 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

3.18 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3.20 Related parties

A party is considered to be related to the Group if:

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

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Related parties (Continued)

(b) (Continued)

- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

3.21 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements (Continued)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATION (Continued)

Critical judgments in applying accounting policies

The following is the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amounts of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Provision of ECL for trade and bills receivables

Trade and bills receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade and bills receivables which are individually insignificant. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the provision of ECL for trade and bills receivables are disclosed in note 33 to the consolidated financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The management reassesses these estimates at the end of each reporting period.

Notes to the Consolidated Financial Statements (Continued)

5. 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:

	2022 RMB'000	2021 RMB'000
The PRC (country of domicile)	37,014	45,622

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	
	2022 RMB'000	2021 RMB'000
Customer A	10,188	10,646
Customer B	6,383	5,823
Customer C	5,481	7,588
Customer D	5,302	5,461

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

Notes to the Consolidated Financial Statements (Continued)

6. REVENUE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers recognised at a point in time:		
Revenue from sales of tinplate packaging products	33,690	43,371
Revenue from sales of tinplates	3,324	2,251
	37,014	45,622

7. OTHER INCOME AND NET GAINS OR LOSS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Other income and net gains:		
Interest income from bank deposits	2	7
Sale of scrap materials	3,910	871
(Loss)/gain from sale of listed equity investments at FVTPL	(295)	1,796
Changes in fair value of listed equity investments at FVTPL	(4,782)	6,876
Gain on disposal of a subsidiary	–	3,105
(Provision)/reversal of impairment loss recognised under expected credit loss model on trade receivables and other receivables, net of reversal	(6,681)	123
Impairment loss recognised on property, plant and equipment	(75,115)	(52,992)
Others	(3,651)	1,640
	(86,612)	(38,573)

Notes to the Consolidated Financial Statements (Continued)

8. FINANCE COSTS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest expense on borrowings	–	4,558
Interest expense on discounted bills receivables	150	347
Interest expense on lease liabilities	2,549	2,307
Interest expense on other borrowings	1,982	1,573
Bank charges	–	62
	4,681	8,847

9. INCOME TAX (CREDIT)/EXPENSES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
PRC Enterprise Income Tax		
– Current year	–	–
Deferred tax (credit)/charge	–	(188)
Income tax (credit)/expenses	–	(188)

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.

Notes to the Consolidated Financial Statements (Continued)

9. INCOME TAX (CREDIT)/EXPENSES (Continued)

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%. 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.

The income tax expenses for the year can be reconciled to loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss before taxation	(104,077)	(54,891)
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	(27,975)	(13,193)
Tax effect of non-deductible expenses	2,622	934
Unrecognised deductible temporary difference	25,353	12,071
Income tax (credit)/expenses	-	(188)

Notes to the Consolidated Financial Statements (Continued)

10. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Auditor's remuneration for audit service	446	443
Cost of inventories sold	31,055	37,633
Depreciation of property, plant and equipment	8,051	8,205
Amortisation of right-of-use assets	154	155
Written off of property, plant and equipment	–	20,115
Expenditure related to short term lease	–	97
Staff costs (excluding directors' remuneration):		
– Salaries, allowances and benefits in kind	3,940	4,152
– Share-based payment expense	1,266	–
– Contributions to defined contribution pension plans	539	597
	5,745	4,749

Notes to the Consolidated Financial Statements (Continued)

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to defined contribution pension plans RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Year ended 31 December 2022					
<i>Executive directors</i>					
Mr. Wang Yun	144	-	-	-	144
Mr. Zou Yonggang	120	-	-	-	120
<i>Independent non-executive directors</i>					
Mr. Wong Sui Chi	96	-	-	-	96
Mr. Wu Chi King	144	-	-	-	144
Ms. Ha Yee Lan Elaine	120	-	-	-	120
	624	-	-	-	624
Year ended 31 December 2021					
<i>Executive directors</i>					
Mr. Wang Yun	120	-	-	176	296
Mr. Zou Yonggang	100	-	-	176	276
Mr. Liang Junqian (Note (a))	-	-	-	-	-
Mr. Chan Kit Lung, Andy (Note (b))	169	-	-	-	169
Ms. Liang Yingjun (Note (c))	-	-	-	-	-
<i>Independent non-executive directors</i>					
Mr. Wong Sui Chi	80	-	-	-	80
Mr. Wu Chi King	120	-	-	-	120
Ms. Ha Yee Lan Elaine	100	-	-	127	227
	689	-	-	479	1,168

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Notes:

- (a) Mr. Liang Junqian has retired on 17 August 2021.
- (b) Mr. Chan Kit Lung, Andy was resigned on 20 May 2021.
- (c) Ms. Liang Yingjun was resigned on 1 February 2021.

Notes to the Consolidated Financial Statements (Continued)

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(a) Directors' remuneration (Continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Except for those disclosed in material related party transactions in note elsewhere to the consolidated financial statements, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest-paid individuals

The five highest-paid individuals of the Group included 5 (2021: 5) director for the year, whose remunerations are included in note 9(a) above. There has no other highest-paid employees who are neither a director nor Chief executive of the Company for the year.

None of the directors or any of the five highest-paid individuals waived or agreed to waive any remunerations for both years. No remunerations were paid by the Group to the directors or any of the five highest-paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

During both years ended 31 December 2022 and 2021, certain share options were granted to non-director and non-chief executive highest paid employees, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 29 to the consolidated financial statements.

12. DIVIDENDS

The board of directors does not recommend payment of any dividend for the year ended 31 December 2022 (2021: Nil).

13. LOSS PER SHARE

The calculations of basic loss per share are based on the Group's loss for the year attributable to owners of the Company of approximately RMB104,035,000 (2021: RMB54,703,000) and the weighted average of 98,770,000 (2021: 86,154,000 (restated)) 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.

Notes to the Consolidated Financial Statements (Continued)

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation						
At 1 January 2021	12,292	41,200	2,041	–	118,898	174,431
Additions	–	7,500	25	571	2,645	10,741
Transfer from investment property	10,410	–	–	–	–	10,410
Transfer	121,543	–	–	–	(121,543)	–
Written off	–	(20,588)	(674)	–	–	(21,262)
Exchange realignment	–	(287)	(38)	–	–	(325)
At 31 December 2021 and at 1 January 2022	144,245	27,825	1,354	571	–	173,995
Additions	–	4,896	3,446	–	–	8,342
Exchange realignment	–	–	48	–	–	48
At 31 December 2022	144,245	32,721	4,848	571	–	182,385
Accumulated depreciation						
As at 1 January 2021	9,485	27,082	1,597	–	–	38,164
Charge for the year	4,143	3,462	252	348	–	8,205
Written off	(7,968)	(11,439)	(708)	–	–	(20,115)
Impairment	52,992	–	–	–	–	52,992
Exchange realignment	–	(149)	(43)	–	–	(192)
As at 31 December 2021 and at 1 January 2022	58,652	18,956	1,098	348	–	79,054
Charge for the year	6,555	1,209	197	90	–	8,051
Impairment	59,503	9,452	2,669	–	–	71,624
Exchange realignment	–	–	8	–	–	8
At 31 December 2022	124,710	29,617	3,972	438	–	158,737
Carrying amounts						
At 31 December 2022	19,535	3,104	876	133	–	23,648
At 31 December 2021	85,593	8,869	256	223	–	94,941

Notes to the Consolidated Financial Statements (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Buildings are located in the PRC and are held under medium-term lease.

All of the Group's buildings are pledged to secure the Group's banking facilities and bills payables.

15. RIGHT-OF-USE ASSETS

	Leasehold Land under medium-term leases RMB'000
Carrying amount as at 1 January 2021	4,952
Depreciation charge	(155)
Carrying amount as at 31 December 2021 and 1 January 2022	4,797
Depreciation charge	(154)
Impairment	(3,491)
Carrying amount as at 31 December 2022	1,152

Right-of-use assets represent the Group's payment for leasehold land held for own use under operating lease was located in the PRC and held under medium-term lease.

All of the Group's right-of-use assets are pledged to secure the Group's banking facilities (Note 25) and bills payables.

16. INVESTMENT PROPERTIES

	RMB'000
As at 1 January 2021	10,090
Transferred to property, plant and equipment	(10,410)
Gain arising on change in fair value	320
As at 31 December 2021 and 1 January 2022	–

Notes to the Consolidated Financial Statements (Continued)

17. INVENTORIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials	13,383	6,218
Work-in-progress	2,185	864
Finished goods	709	3,890
	16,277	10,972

18. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables arising from contract with customers	45,912	42,541
Bills receivables	300	5,616
	46,212	48,157
Less: allowance for credit losses	(27,438)	(20,802)
	18,774	27,355

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 (2021: 30 to 120 days) and the settlement period of bills receivables ranged from 30 to 120 days (2021: 30 to 120 days).

Notes to the Consolidated Financial Statements (Continued)

18. TRADE AND BILLS RECEIVABLES (Continued)

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	
	2022 RMB'000	2021 RMB'000
Within 1 month	2,437	7,060
More than 1 month but not more than 3 months	3,096	6,427
More than 3 months but not more than 6 months	1,289	1,430
More than 6 months but not more than 1 year	1,045	2,110
More than 1 year	10,907	10,328
	18,774	27,355

As at 31 December 2022, included in the Group's trade and bills receivables balance are debtors with aggregate gross carrying amounts of approximately RMB35,045,000 (2021: RMB36,316,000) which are past due at the end of the reporting period.

As at 31 December 2022, the Group has no trade and bills receivables (2021: with carrying amounts of approximately RMB5,661,000) denominated in HKD.

Details of impairment assessment of trade and bills receivables are set out in note 33 to the consolidated financial statements.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Current Listed equity investments in Hong Kong	10,199	12,990

Listed equity investments represent the Group's investments in listed equity securities that are held for trading, and therefore designated by the Group as at fair value through profit or loss.

As at 31 December 2022, the net fair value loss in respect of the Group's Hong Kong listed investments recognised in profit or loss amounted to approximately RMB4,782,000 (2021: gain RMB6,876,000), and a net loss of approximately RMB295,000 (2021: gain of RMB1,796,000) was recognised in profit or loss upon disposal of the listed equity investments for the year.

Notes to the Consolidated Financial Statements (Continued)

20. PREPAYMENT AND OTHER RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayment	1,050	6,230
Advance payment to suppliers	3,621	31,048
Other receivables	4,551	5,714
	9,222	42,992

Amounts of RMB42,000 and RMB5,000 (2021: RMB42,000 and RMB5,000) included in other receivables are due from Fortune Time Enterprises Limited ("Fortune Time"), a company controlled by the former controlling shareholders of the Company, and Wangchen Packaging International Company Limited ("Wangchen Packaging International"), a company controlled by Mr. Liang, who is one of the former controlling shareholders of the Company. The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

The maximum indebtedness due from Fortune Time and Wangchen Packaging International are approximately RMB42,000 and RMB5,000 (2021: RMB42,000 and RMB5,000) during the year ended 31 December 2022.

21. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

As at 31 December 2022, pledged bank deposits were denominated in RMB and pledged as collateral for the issuance of bills payables (Note 22). The pledged bank deposits carry interest at 0.3% per annum and will be mature within 3 months from the placement date. As at 31 December 2021, there is no pledged bank deposits.

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

Notes to the Consolidated Financial Statements (Continued)

22. TRADE AND BILLS PAYABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade payables	19,745	30,224
Bills payables	12,117	7,904
	31,862	38,128

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	
	2022 RMB'000	2021 RMB'000
Within 1 month	8,333	25,993
More than 1 month but not more than 3 months	8,065	5,942
More than 3 months but not more than 6 months	1,510	3,244
More than 6 months but not more than 1 year	4,501	271
Over 1 year	9,453	2,678
	31,862	38,128

Bills payables are secured by:

- (a) Pledge of buildings held by the Group with carrying amounts of RMB1,539,000 (2021: RMB2,173,000) as at 31 December 2022;
- (b) Pledge of right-of-use assets by the Group with carrying amount of RMB1,152,000 (2021: RMB4,797,000) as at 31 December 2022;
- (c) RMB5,098,000 of pledged bank deposits as at 31 December 2022 (2021: Nil).

Notes to the Consolidated Financial Statements (Continued)

23. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Other payables	12,639	6,536
Other tax payables	76	46
Accruals	11,538	1,945
	24,253	8,527

The Group's accruals and other payables with carrying amounts of approximately RMB1,616,000 (2021: RMB1,016,000) that are denominated in HKD.

24. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting periods:

	31 December 2022		31 December 2021	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	5,055	3,630	11,374	11,018
After 1 year but within 2 years	–	–	4,140	196
	5,055	3,630	15,514	11,214
Less: total future interest expenses		1,425		4,300
Present value of lease liabilities		5,055		15,514

Leases liabilities are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

The Group has entered into leases for items of furniture fittings and equipment. The lease period is for 2 years. The Group has the option to purchase the leased assets which is expected to be sufficiently lower than the fair value of the leased assets at the end of the lease. None of the leases include contingent rentals.

Notes to the Consolidated Financial Statements (Continued)

25. BORROWINGS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Current liabilities		
Secured bank borrowings	28,000	38,000
Non-Current liabilities		
Unsecured borrowing	82,750	88,000
	110,750	126,000

As at 31 December 2022, all bank borrowings are interest bearing at PRC loan prime rate over a spread and are at interest rate at the date of drawdown, ranging from 5.3% to 5.65% per annum (2021: ranging from 5.0% to 5.65% per annum).

Balance of RMB82,750,000 (2021: RMB88,000,000) included in unsecured borrowings are due to a director, who is one of the directors of a subsidiary. The amount is non-trade nature, unsecured and interest-free.

The bank borrowings are secured by:

- (a) Pledge of buildings held by the Group with carrying amounts of RMB1,539,000 (2021: RMB2,173,000) as at 31 December 2022;
- (b) Pledge of right-of-use assets by the Group with carrying amount of RMB1,152,000 (2021: RMB4,797,000) as at 31 December 2022; and
- (c) Personal guarantees executed by the directors of the subsidiaries.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2022 amounted to RMB32,000,000 (2021: RMB22,000,000).

Notes to the Consolidated Financial Statements (Continued)

26. DEFERRED TAX LIABILITIES

	Revaluation of investment properties RMB'000	Depreciation allowance in excess of the accounting depreciation RMB'000	Total RMB'000
At 1 January 2021	243	1,254	1,497
Charged to profit or loss	(188)	–	(188)
Disposal	–	(1,169)	(1,169)
Exchange realignment	(55)	(85)	(140)
At 31 December 2021	–	–	–

27. SHARE CAPITAL

	Number of ordinary shares of HKD0.05 each '000	Number of ordinary shares of HKD0.20 each '000	Amount RMB'000
Authorised:			
As at 1 January 2021, as at 31 December 2021, and 1 January 2022	2,000,000	–	100,000
Share consolidation	(2,000,000)	500,000	–
As at 31 December 2022	–	500,000	100,000
Issued and fully paid:			
As at 1 January 2021, as at 31 December 2021, and 1 January 2022	320,000	–	13,131
Share Consideration	(320,000)	80,000	–
Issue of shares under rights issue	–	80,000	14,778
As at 31 December 2022	–	160,000	27,909

Notes to the Consolidated Financial Statements (Continued)

27. SHARE CAPITAL (Continued)

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary share rank equally with regard to the Company's residual assets.

Share Consolidation

During the year ended 31 December 2022, the Group carried out the share consolidation pursuant to which every four existing shares will be consolidated into one consolidated share with effective on 20 September 2022.

As a result of the share consolidation, the number of shares in issue has been updated from 320,000,000 then issued shares of HK\$0.05 each to 80,000,000 shares of HK\$0.20 each.

Rights issue

During the year ended 31 December 2022, the Group carried out the rights issue on basis of one Rights Shares for every one Share.

The Group completed the rights issue on 28 October 2022.

28. RESERVES

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

The followings describes the nature and purpose of each reserve within the reserve:

Reserve	Description and purpose
(i) Share premium	Under the Companies Law (as revised) of the Cayman Islands, dividends may be paid out of the share premium account of the Company provided its articles of association permits it and the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.
(ii) Statutory reserve fund	<p>Pursuant to the relevant PRC regulations and the Article of Association of the PRC subsidiary within the Group, the PRC subsidiary is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to a statutory reserve fund until the fund aggregates to 50% of its registered capital of the PRC subsidiary. The transfer to this reserve shall be made before distribution of dividends to shareholders.</p> <p>The statutory reserve fund shall only be used to make good previous years' losses, to expand its production operations, or to increase its capital.</p>

Notes to the Consolidated Financial Statements (Continued)

28. RESERVES (Continued)

Reserve	Description and purpose
(iii) Capital reserve	<p>The amount paid by the shareholders for capital injection.</p> <p>During the year ended 31 December 2014, a former director of the Company, Liang Jianheng irrevocably waived the amount due to him by the Group of approximately RMB7,200,000 and the amount due to a director of approximately RMB7,200,000 was classified as capital reserve of the Group.</p>
(iv) Share option reserve	<p>Share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised in administrative expenses with a corresponding increase in the share option reserve.</p>
(v) Exchange reserve	<p>Exchange reserve represents exchange differences relating to the translation of the financial statements of entities outside of the PRC from their functional currencies to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of these entities.</p>
(vi) Other reserve	<p>The other reserve of the Group represents the difference between the total equity of those subsidiaries and the aggregated share capital of the relevant subsidiaries pursuant to the reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new share from the Company.</p>
(vii) Property revaluation reserve	<p>Property revaluation reserve relates the property transferred from owner-occupied to investment properties. The excess amount between the fair value and the carrying amount of the property at the date of transfer is included in the property revaluation reserve, and will be transferred to retained earnings/(accumulated losses) upon the retirement or disposal of the relevant property.</p>

Notes to the Consolidated Financial Statements (Continued)

29. SHARE OPTION SCHEME

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

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

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

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

A resolution was passed on 30 June 2020, the total number of shares which may be issued upon exercise of the share options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the total number of the shares in issue as at the date of completion of the share offer, the total number of shares issued and to be issued upon exercise of the share options granted to each Participant (including exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares in issue from time to time.

Any grant of options to any directors, chief executive or substantive shareholders (as such terms as defined in the GEM Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option scheme of the Company or any of its subsidiaries shall be subject to the prior approval of the independent non-executive directors or shareholders of the Company as the case may be. Without prior separate approval from the Company's shareholders, the maximum number of shares issued and to be issued in respect of which options granted and may be granted to a substantial shareholder or an independent non-executive director of the Company in the 12-month period up to and including the date of such grant shall not (i) exceed 0.1% of the shares of the Company in issue on the date of such grant; and (ii) have an aggregate value, based on the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HKD5 million.

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

Notes to the Consolidated Financial Statements (Continued)

29. SHARE OPTION SCHEME (Continued)

Offer of a share option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

As at 31 December 2022, the number of shares in respect of which may be issued upon exercise of share options granted and remain outstanding under the Share Option Scheme was 15,988,552 (2021: 7,732,552), representing 9.4% (2021: 20%) of the shares of the Company in issue at that date.

Date of grant	Exercisable period	Exercise price HKD	Number of share options				
			Outstanding at 1.1.2021	Granted during 2021	Outstanding at 31.12.2021 and 1.1.2022	Granted during 2022	Outstanding at 31.12.2022
10.04.2019	10.4.2019 – 9.4.2029	1.981	2,519,352	–	2,519,352	–	2,519,352
18.05.2020	18.5.2020 – 17.5.2023	0.696	3,149,200	–	3,149,200	–	3,149,200
20.05.2021	20.5.2021 – 19.5.2024	0.508	–	2,064,000	2,064,000	–	2,064,000
06.04.2022	06.04.2022 – 05.04.2025	0.103	–	–	–	8,256,000	8,256,000
			5,668,552	2,064,000	7,732,552	8,256,000	15,988,552
	Weighted average exercise price (HKD)		1.267	0.508	1.064	0.131	0.57

Upon the Share Consolidation becoming effective on 21 September 2022, every four Existing Shares were consolidated into one Consolidated Shares.

On 28 October 2022, the Group completed the Rights Issue on basis of one Rights Shares for every one Share.

During the year ended 31 December 2022, no share options were lapsed (2021: 1,221,000).

During the year ended 31 December 2022, the estimated fair value of the options granted are approximately RMB1,555,000 (2021: RMB479,000).

The fair value of share options at grant date was calculated using the binomial option pricing model prepared by Peak Vision. The inputs into the model were as follows:

	06.04.2022	20.05.2021
Exercise price (HKD)*	0.103	0.131
Expected volatility (%)	135	139
Expected option life (years)	3	3
Expected dividend yield (%)	–	–
Risk-free interest rate (%)	0.213	0.213
Fair value per share option at grant date (HKD)	0.05	0.07

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

* The exercise price is not adjusted for share consolidation and right issue.

Notes to the Consolidated Financial Statements (Continued)

30. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2021, the Group disposed its subsidiary, Foshan City Shunde Wanxi Metal Packaging Company Limited. The net liability of Foshan City Shunde Wanxi Metal Packaging Company Limited at the date of disposal were as follows:

	HK\$'000
Consideration received:	
Cash consideration	1,000
Total consideration	1,000
	RMB'000
Analysis of assets and liabilities over which control was lost:	
Bank borrowings	(40,000)
Deferred tax liabilities	(1,215)
Trade and other receivables	23,633
Bank balances and cash	15,515
Net liability disposed of	(2,067)
Gain on disposal of a subsidiary:	
Consideration received and receivable	1,000
Net liability disposed of the subsidiaries	2,067
Gain on disposal	3,067
Net cash outflow arising on disposal:	
Cash consideration	1,000
Less: bank balances and cash disposed of	(15,515)
	(14,515)

Notes to the Consolidated Financial Statements (Continued)

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

- (a) Details of the balances with related parties at the end of the reporting period are set out in notes 20 and 22 to the consolidated financial statements respectively.
- (b) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 11(a) to the consolidated financial statements, is as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Directors' fees	624	689
Salaries, allowances and benefits in kind	–	–
Share-based payment expense	–	479
Contributions to defined contribution pension plans	–	–
	624	1,168

32. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets		
Measured at amortised cost:		
Trade and bills receivables	18,774	27,355
Other receivables	9,222	42,242
Pledged bank deposits	5,098	–
Cash and cash equivalents	25,815	9,228
	58,909	78,825
Financial liabilities		
Measured at amortised cost:		
Trade and bills payables	31,862	38,128
Accruals and other payables	24,253	8,527
Lease liabilities	3,630	11,214
Borrowings	110,750	126,000
	170,495	183,869

Notes to the Consolidated Financial Statements (Continued)

33. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bills receivables, other receivables, pledged bank deposits, cash and cash equivalents, trade and bills payables, accruals and other payables and borrowings. Details of the financial instruments for the Group are disclosed in respective notes to the consolidated financial statements.

The risks associated with these financial instruments include credit risk, liquidity risk and market risk (foreign currency risk and interest rate risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

(a) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and bills receivables, other receivables, pledged bank deposits and bank balances. As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group deposited pledged bank deposits and bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to pledged bank deposits and bank balances held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 December 2022 and 31 December 2021 were minimal.

For other receivables, the directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors have assessed the credit risk of the Group's outstanding balances of other receivables since initial recognition and the Group provide impairment based on 12-m ECL. For the year ended 31 December 2022, the Group provided ECL of RMB603,000 (2021: reverse of RMB3,894,000) for other receivables.

Trade and bills receivables of the Group consist of a large number of customers.

The Group's policy to manage credit risk is to deal only with creditworthy counterparties. In order to minimise the credit risk, the management of the Group has formulated a credit policy and, delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is take.

Except for trade and bills receivables with gross carrying amounts of RMB26,077,000 for both years, which are past due over 180 days, that are assessed individually. The Group performed impairment assessment for the remaining trade and bills receivables equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements (Continued)

33. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(a) Credit risk and impairments assessment (Continued)

The following table provides information about the Group's exposure to credit risk for trade and bills receivables which are assessed collectively based on provision matrix except for those who are assessed individually or credit-impaired:

	Expected loss rate		Gross carrying amounts excluding specific debtors RMB'000		Loss allowance excluding specific debtors RMB'000	
	2022	2021	2022	2021	2022	2021
	Current (not past due)	2.72%	0.86%	2,437	7,115	44
1-90 days past due	3.27%	0.88%	3,097	6,497	62	70
91-180 days past due	4.36%	2.18%	1,289	1,443	37	13
Over 180 days past due	15.10%	17.57%	13,312	25,000	1,272	12,562
			20,135	40,055	1,415	12,700

The expected loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach:

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
At 1 January 2021	4,151	13,360	17,511
Impairment loss recognised	3,770	–	3,770
Exchange realignment	(59)	(420)	(479)
As at 31 December 2021	7,862	12,940	20,802
Impairment loss recognised	1,814	5,009	6,823
Exchange realignment	–	(142)	(142)
As at 31 December 2022	9,676	17,807	27,483

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Notes to the Consolidated Financial Statements (Continued)

33. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay.

	Weighted average effective interest rate	Carrying amounts RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	1-2 years RMB'000
As at 31 December 2022					
Trade and bills payables	–	31,862	31,862	31,862	–
Accruals and other payables	–	24,253	24,253	24,253	–
Lease liabilities	18%	3,630	5,055	5,055	–
Borrowings	5.3%	110,750	111,492	28,742	82,750
		170,495	172,662	89,912	82,750
As at 31 December 2021					
Trade and bills payables	–	38,128	38,128	38,128	–
Accruals and other payables	–	8,527	8,527	8,527	–
Lease liabilities	15.3%	11,214	15,514	11,374	4,140
Borrowings	5.55%	126,000	131,013	39,493	91,520
		183,869	193,182	97,522	95,660

Notes to the Consolidated Financial Statements (Continued)

33. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(c) Market risk

Foreign currency risk

The Group operates in Hong Kong and the PRC with majority of the transactions being settled in HKD and RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currencies of the group entities.

The transactions and monetary assets and liabilities denominated in currencies differ from the functional currencies of the group entities are minimal, the Group considers there is no significant foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

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

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

	As at 31 December			
	2022 Weighted average effective interest rate	RMB'000	2021 Weighted average effective interest rate	RMB'000
Floating-rate bank balances	0.2-0.6	28,647	0.3%	9,228
		28,647		9,228
Fixed-rate borrowings	2%-5.4%	110,750	2%-5.5%	126,000
Fixed-rate borrowings			7%	11,214

Notes to the Consolidated Financial Statements (Continued)

33. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

(c) Market risk (Continued)

Sensitivity analysis

At the end of the reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss before taxation by approximately RMB28,000 (2021: RMB800,000).

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

The interest rate risk policies remain unchanged from prior years.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

35. CAPITAL RISK MANAGEMENT

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

Notes to the Consolidated Financial Statements (Continued)

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-current assets		
Property, plant and equipment	–	164
Investments in subsidiaries	–	–
	–	164
Current assets		
Financial assets at fair value through profit or loss	10,199	12,990
Prepayment and other receivables	9	3,496
Amounts due from subsidiaries	28	18
Cash and cash equivalents	25,303	6,374
	35,539	22,878
Total assets	35,539	23,042
Current liabilities		
Accruals and other payables	1,617	1,015
Total liabilities	1,617	1,015
Net current assets	33,922	21,863
Net assets	33,922	22,027
Capital and reserves		
Share capital	27,909	13,131
Reserves	6,013	8,896
Total equity	33,922	22,027

Signed on its behalf by:

Wang Yun
Director

Zou Yonggang
Director

Notes to the Consolidated Financial Statements (Continued)

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2021	87,552	3,544	2,700	(57,354)	7,642	44,084
Loss for the year	-	-	-	(37,407)	-	(37,407)
Other comprehensive expense for the year	-	-	(74)	-	-	(74)
Total comprehensive loss for the year	-	-	(74)	(37,407)	-	(37,481)
Equity-settled share-based payment transactions	-	479	-	-	-	479
Lapse of share options	-	(586)	-	586	-	-
Proceeds from right issue	9,456	-	-	-	(7,642)	1,814
At 31 December 2021 and at 1 January 2022	97,008	3,437	2,626	(94,175)	-	8,896
Loss for the year	-	-	-	(12,731)	-	(12,731)
Other comprehensive expense for the year	-	-	265	-	-	265
Total comprehensive loss for the year	-	-	265	(12,731)	-	(12,466)
Equity-settled share-based payment transactions	-	1,266	-	-	-	1,266
Proceeds from right issue	8,317	-	-	-	-	8,317
At 31 December 2022	105,325	4,703	2,891	(106,906)	-	6,013

As at 31 December 2022 and 2021, the distributable reserve of the Company amounted to approximately RMBNil (2021: RMB2,833,000).

Notes to the Consolidated Financial Statements (Continued)

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified as cash flows from financing activities in the Group's consolidated statement of cash flows.

	Borrowings RMB'000	Lease RMB'000	Interest payables RMB'000	Total RMB'000
As at 1 January 2021	130,531	18,425	–	148,956
Non-cash changes:				
Interest expenses recognised (Note 8)	–	–	8,847	8,847
Disposal of a subsidiary	(40,000)	–	–	(40,000)
Cash flows				
– Inflow from financing activities	45,000	–	–	45,000
– Outflow from financing activities	(9,531)	(7,211)	(8,847)	(25,589)
As at 31 December 2021 and as at 1 January 2022	126,000	11,214	–	137,214
Non-cash changes:				
Interest expenses recognised (Note 8)	–	–	4,681	4,681
Cash flows				
– Inflow from financing activities	28,000	–	–	28,000
– Outflow from financing activities	(43,250)	(7,584)	(4,681)	(55,515)
As at 31 December 2022	110,750	3,630	–	114,380

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

Financial Summary

	31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
RESULTS					
Revenue	37,014	45,622	40,257	59,061	115,438
Loss before taxation	(104,035)	(54,891)	(23,956)	(28,812)	(7,617)
Income tax credit/expenses	–	188	1,037	(100)	(304)
Loss for the year	(104,035)	(54,703)	(22,919)	(28,912)	(7,921)
ASSETS AND LIABILITIES					
Total assets	110,185	203,275	260,114	173,219	176,876
Total liabilities	(171,648)	(185,022)	(200,623)	(97,204)	(83,667)
Net (liabilities)/assets	(61,463)	18,253	59,491	76,015	93,209
Equity attributable to owners of the Company	(61,463)	18,253	59,491	76,025	93,209
Non-controlling interest	–	–	–	(10)	–
Total equity	(61,463)	18,253	59,491	76,015	93,209