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Wan Cheng Metal Packaging Company Limited
萬成金屬包裝有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8291)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The board (“**Board**”) of directors (“**Directors**”) of Wan Cheng Metal Packaging Company Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the annual results of the Group for the year ended 31 December 2021. This announcement, containing the full text of the 2021 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of annual results.

By order of the Board
Wan Cheng Metal Packaging Company Limited
Wang Yun
Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Wang Yun and Mr. Zou Yonggang and the independent non-executive Directors are Mr. Wong Sui Chi, Ms. Ha Yee Lan Elaine and Mr. Wu Chi King.

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

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

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2021
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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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

Corporate Information (Continued)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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 2021.

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 2021 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 2022

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 2021, 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 an increase in revenue by approximately RMB5.3 million, or approximately 13.2%, from approximately RMB40.3 million for the year ended 31 December 2020 to approximately RMB45.6 million for the year ended 31 December 2021, which was contributed by the increase in sales order of the Group’s products which may caused by the economy recovery from the outbreak of covid-19.

The loss for the year ended 31 December 2021 was approximately RMB54.7 million as compared to loss for the year of approximately RMB22.9 million for the year ended 31 December 2020. Such increase was mainly due to the impairment loss recognised on property, plant and equipment of approximately RMB53.0 million. Excluding the impairment loss recognised on property, plant and equipment for both years, the loss for the year ended 31 December 2021 was approximately RMB1.7 million which actually improved from the loss for the year ended 31 December 2020 of approximately RMB18.1 million.

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 RMB126.0 million and RMB123.4 million and unsecured borrowings of RMBNil million and RMB7.1 million as at 31 December 2021 and 31 December 2020 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 RMB2.2 million and approximately RMB2.8 million as at 31 December 2021 and 31 December 2020 respectively;
- (b) Pledge of right-of-use assets by the Group with carrying amount of approximately RMB4.8 million (2020: RMB5.0 million) as at 31 December 2021;
- (c) Investment properties by the Group with fair value of approximately RMBNil (2020: RMB10.1 million) as at 31 December 2021;
- (d) Pledged bank deposits of approximately RMBNil and approximately RMB5.0 million as at 31 December 2021 and 31 December 2020 respectively; and
- (e) Personal guarantees executed by the directors of the subsidiaries.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2021 and 31 December 2020 is amounted to approximately RMBNil million and approximately RMB5.0 million, respectively.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2021 and 31 December 2020 is amounted to approximately RMBNil million and RMB89.0 million respectively.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2021, 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 increased by approximately RMB5.3 million, or approximately 13.2%, from approximately RMB40.3 million for the year ended 31 December 2020 to approximately RMB45.6 million for the year ended 31 December 2021. Such increase was mainly due to the increase in sales order of the Group's products which may be caused by the economy recovery from the outbreak of covid-19.

Cost of sales

Cost of sales mainly comprised the cost of tinplate coil, tinplate processing costs, ancillary materials and consumables, staff costs, depreciation, utilities and repair and maintenance costs. The cost of sales increased by approximately RMB5.8 million, or approximately 18.8% from approximately RMB30.9 million for the year ended 31 December 2020 to approximately RMB36.7 million for the year ended 31 December 2021. Such increase was consistent with increase in revenue.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB9.4 million for the year ended 31 December 2020 to approximately RMB8.9 million for the year ended 31 December 2021.

Gross profit margin decreased from approximately 23.3% for the year ended 31 December 2020 to 19.6% for the year ended 31 December 2021. The decrease was mainly due to the decrease in average selling price for the year ended 31 December 2021 comparing with that for the year ended 31 December 2020.

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 recorded an increase in other income and net gains by approximately RMB32.6 million, or approximately 543.3% from approximately RMB6.0 million for the year ended 31 December 2020 to approximately RMB38.6 million for the year ended 31 December 2021. The increase was mainly due to the impairment loss recognised on property, plant and equipment for year ended 31 December 2021 comparing with that for the year ended 31 December 2020.

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 RMB1.7 million and RMB2.3 million for the year ended 31 December 2020 and 2021 respectively which increased by approximately RMB0.6 million or approximately 35.3%. The increase was mainly due to the increase in sales order which is in line with the increase 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 a decrease in administrative and other expenses by approximately RMB4.9 million, or approximately 25.4%, from approximately RMB19.3 million for the year ended 31 December 2020 to approximately RMB14.4 million for the year ended 31 December 2021. The decrease mainly represent the decrease 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 increased by approximately RMB1.9 million, or approximately 27.5%, from approximately RMB6.9 million for the year ended 31 December 2020 to approximately RMB8.8 million for the year ended 31 December 2021. Such increase was mainly due to the higher balance of bank borrowings and lease liabilities during the year ended 31 December 2021 as compared to the year ended 31 December 2020.

Loss for the year

As a result of the cumulative factors discussed above, the loss for the year was approximately RMB54.7 million as compared to loss for the year of approximately RMB22.9 million for the year ended 31 December 2020. Such increase was mainly due to the impairment loss recognised on property, plant and equipment of approximately RMB53.0 million. Excluding the impairment loss recognised on property, plant and equipment for both years, the loss for the year ended 31 December 2021 was approximately RMB1.7 million which actually improved from the loss for the year ended 31 December 2020 of approximately RMB18.1 million.

Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

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 2021, the Group's total cash and bank balances were approximately RMB9.3 million (31 December 2020: approximately RMB30.8 million). Gearing ratio of the Group increased to 701.2% as at 31 December 2021 from 198.7% as at 31 December 2020. Gearing ratio is defined as total interest-bearing debt over total equity as at the end of the reporting period. Current ratio of the Group remain stable at 1.07 and 1.05 as at 31 December 2021 and 2020 respectively.

Management Discussion and Analysis (Continued)

INVESTMENT PROPERTIES

The Group's investment properties as of 31 December 2020 represent certain properties receiving rental income during the respective reporting periods. Details of the investment properties of the Group as at 31 December 2020 are as follows:

Address	Existing Use	Term of Lease
No. 6 and 7 workshop of an industrial complex located on Bianjiao Neighborhood Committee, Ronggui Sub-district Office, Shunde District, Foshan City, Guangdong Province, the PRC	Industrial complex	Medium-term lease

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 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, there were no significant contingent liabilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 132 employees (31 December 2020: 132 employees). Staff costs of the Group (including Directors' remuneration, wages, salaries and other benefits and contribution to defined contribution pension plans) amounted to approximately RMB6.1 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately RMB8.7 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 2021, the Group held 14 listed equity securities in Hong Kong with the fair value of RMB13.0 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 2021, are as follows:

Company Name/Stock Code	% of shareholding as at 31 December 2021	Fair value gain/(loss) for the year ended 31 December 2021 RMB'000	Fair value as at 31 December 2021 RMB'000	% of total assets of the Group as at 31 December 2021
Securities listed in Hong Kong				
Harbour Digital Asset Capital Limited ("HDAC") (913) (Note (a))	3.77%	6,467	7,452	3.7%
Others (Note (b))		409	5,538	2.7%
		<u>6,876</u>	<u>12,990</u>	<u>6.4%</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 2021, it recorded unaudited net profit attributable to its owners of HK\$8.7 million for the six months ended 30 June 2021.
- (b) Save as disclosed above, none of these investments represented more than 5% of the total assets of the Group as at 31 December 2021.

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 2021, 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:

Rights Issue and Use of Proceeds

On 15 January 2021, an aggregate of 240,000,000 rights shares has been issued pursuant to the rights issue prospectus of the Company dated 14 December 2020 and the allotment results announcement of the Company dated 11 January 2021. The estimated net proceeds from the Rights Issue will accordingly be approximately RMB20.2 million (equivalent to HK\$22.9 million). The Company intended to apply the net proceeds from the rights issue for the partial repayment of the borrowings of the Group which due in 2021. The net issue price of each Share subject to the rights issue is approximately HK\$0.095. As at the date of this annual report, approximately RMB19.7 million (equivalent to HK\$22.9 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 14 December 2020 and the Company's announcement dated 11 January 2021.

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 2021.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Yun, aged 43, 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 39, 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 54, 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 35, 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 40, 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.

Biographical Details of Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. He Jieming, aged 51, 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 38, 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 53, is the accounting manager of Wancheng Shunde and responsible for the overall financial administration and inventory management of Wancheng Shunde. Ms. Feng has approximately 14 years of experience in accounting and inventory management. Ms. Feng joined the Group as an accounting officer of Wancheng Shunde in January 2002 and was promoted to the current position in October 2014. Ms. Feng received the certificate of accounting professional from the Shunde Finance Bureau in September 2004.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Except for the following deviations, the Board is satisfied that the Company had complied with the CG Code during the year ended 31 December 2021.

Code provision E.1.2 of the CG Code stipulates that the chairman should attend annual general meetings. Due to other business engagement, the chairman, Mr. Liang Junqian (retired on 17 August 2021), was unable to attend the annual general meeting of the Company held on 30 June 2021.

For deviation from code provision E.1.2 of the CG Code, the Company Secretary had reminded the chairman and the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2021.

Corporate Governance Report (Continued)

BOARD OF DIRECTORS

Board Composition

As at 31 December 2021, 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

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.

Corporate Governance Report (Continued)

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.

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 2021.

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.

Corporate Governance Report (Continued)

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 2021 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. Liang Junqian (<i>Chairman</i>) (retired on 17 August 2021)	6/6	N/A	N/A	N/A	0/1
Mr. Chan Kit Lung Andy (<i>Chief Executive Officer</i>) (resigned on 20 May 2021)	3/3	N/A	N/A	N/A	0/1
Ms. Liang Yingjun (resigned on 1 February 2021)	0/0	N/A	N/A	N/A	0/0
Mr. Wang Yun	8/8	N/A	N/A	N/A	0/1
Mr. Zou Yonggang	8/8	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Wong Sui Chi	8/8	4/4	2/2	2/2	1/1
Ms. Ha Yee Lan Elaine	8/8	4/4	2/2	2/2	1/1
Mr. Wu Chi King	8/8	4/4	2/2	2/2	1/1

CORPORATE GOVERNANCE FUNCTIONS

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

Corporate Governance Report (Continued)

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 2021, all Directors have participated in continuing professional development by attending training courses organised by the Company and reading relevant materials on topics related to corporate governance and regulatory matters. The Directors have confirmed that they have received the trainings as follows:

Name of Directors	Type of trainings
Mr. Liang Junqian (<i>Chairman</i>) (retired on 17 August 2021)	A, B
Mr. Chan Kit Lung Andy (<i>Chief Executive Officer</i>) (resigned on 20 May 2021)	A, B
Ms. Liang Yingjun (resigned on 1 February 2021)	A, B
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 2021, 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 2021, 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 2021, 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 36 to 41 of this annual report.

For the year ended 31 December 2021, 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 2021 RMB'000
Audit services	520
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 27 to 28 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 2021, 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 2021, 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 2021.

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 2021, 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 2021 are set out in the consolidated statements of profit or loss and other comprehensive income on page 42 of this annual report.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

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 116 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 2021 are set out in the consolidated statement of changes in equity on page 45 and note 38 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 2021 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 2021 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 2021, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately RMB2.8 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the largest customer accounted for approximately 23.3% (2020: 22.1%) of the total revenue. For the year ended 31 December 2021, the percentage of revenue derived from the five largest customers in aggregate was approximately 64.7% (2020: 77.6%).

For the year ended 31 December 2021, the largest supplier accounted for approximately 43.6% (2020: 45.7%) of the total purchases. For the year ended 31 December 2021, the five largest suppliers in aggregate accounted for approximately 65.5% (2020: 67.7%) 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 2021.

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 2021 accounted for approximately 64.7% 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 2021 accounted for approximately 65.5% of the total purchases. Purchases from the largest supplier for the year ended 31 December 2021 accounted for approximately 43.6% 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 will be published within five months after the end of the financial year of the Company.

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 2021, 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 tinplate 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 2021, the Group sold the tinplate 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 2021 and up to the date of this report were as follows:

Executive Directors

Mr. Liang Junqian (*Chairman*) (retired on 17 August 2021)

Mr. Chan Kit Lung Andy (*Chief Executive Officer*) (resigned on 20 May 2021)

Ms. Liang Yingjun (resigned on 1 February 2021)

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. Wu Chi King and Ms. Ha Yee Lan Elaine 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 2021.

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 2021.

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 2021, 29,971,142 share options has been granted by the Company pursuant to such Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one share of HK\$0.05 each of the Company.

Category of participants	Date of grant	Vesting period	Number of share options					Outstanding as at 31 December 2021	Exercisable period	Exercise price per share (HK\$)
			Outstanding as at 1 January 2021	Granted during the year ended 31 December 2021	Exercised during the year ended 31 December 2021	Lapsed/cancelled during the year ended 31 December 2021	Forfeited during the year ended 31 December 2021			
Executive director										
Mr. Wang Yun	18 May 2020	No	1,220,619	-	-	-	-	1,220,619	3 years	0.180
	20 May 2021	No	-	3,000,000	-	-	-	3,000,000	3 years	0.131
Mr. Zou Yonggang	18 May 2020	No	1,220,619	-	-	-	-	1,220,619	3 years	0.180
	20 May 2021	No	-	3,000,000	-	-	-	3,000,000	3 years	0.131
Independent non-executive director										
Ms. Ha Yee Lan Elaine	18 May 2020	No	1,220,619	-	-	-	-	1,220,619	3 years	0.180
	20 May 2021	No	-	2,000,000	-	-	-	2,000,000	3 years	0.131
Employees										
	10 April 2019	No	8,544,333	-	-	-	-	8,544,333 (note i)	10 years	0.511
	18 May 2020	No	8,544,333	-	-	-	-	8,544,333 (note i)	3 years	0.180
Consultants										
	17 April 2018	No	1,220,619	-	-	(1,220,619)	-	-	10 years	1.229
	10 April 2019	No	1,220,619	-	-	-	-	1,220,619 (note ii)	10 years	0.511
			23,191,761	8,000,000	-	(1,220,619)	-	29,971,142		

Notes:

(i) The share options have been granted to 7 employees and each of them hold 1,220,619 share options.

(ii) 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.

(iii) The closing price of the Company's shares immediately before the date of grant of share options on 18 May 2021 was HK\$0.13.

Directors' Report (Continued)

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year ended 31 December 2021, except for those disclosed in note 33 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 2021 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 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long position in the shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares held/interested in	Approximate percentage of shareholding
Mr. Wang Yun	Beneficial owner, unlisted share options	4,220,619	1.32%
Mr. Zou Yonggang	Beneficial owner, unlisted share options	4,220,619	1.32%
Ms. Ha Yee Lan Elaine	Beneficial owner, unlisted share options	3,220,619	1.01%

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

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 2021.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

As at 31 December 2021, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 2021.

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 2021 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 2021 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 2021 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 2022

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 42 to 115, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Assessment of recoverability of the trade receivables	
Refer to note 18 to the consolidated financial statements.	Our procedures to address the management's assessment of recoverability of trade receivables included:
As at 31 December 2021, the carrying amounts of trade receivables amounted to RMB27,355,000 (net of allowance for credit losses of RMB20,802,000).	<ul style="list-style-type: none"> We discussed the Group's procedures on credit period given to customers with the management;
Management judgment is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made.	<ul style="list-style-type: none"> We discussed on a sample basis, the aging profile of the trade receivables as at 31 December 2021 to the underlying financial records and post year-end settlements to bank receipts;
In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition which may require management judgment.	<ul style="list-style-type: none"> We inquired the management for the status of each of the material trade receivables past due as at 31 December 2021 and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records and other correspondence with the customers; and We assessed the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.
	We consider the management conclusion to be consistent with the available information.

Independent Auditor's Report (Continued)

Key audit matter

How our audit addressed the key audit matter

Impairment of property, plant and equipment

Refer to note 14 to the consolidated financial statements.

The Group had significant property, plant and equipment amounting to approximately RMB94,941,000 as at 31 December 2021. In view of the continuous losses of the business, the management of the Group concluded that there was indication for impairment and conducted impairment assessment on recoverable amount of the cash-generating-unit ("CGU") to the assets.

Accordingly, the management identified impairment indicators and 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.

Our procedures to address the management impairment assessment of property, plant and equipment included:

- We involved external valuation specialists to assist us in evaluation of 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 assessed the adequacy of the Group's disclosures concerning impairment of property, plant and equipment in the consolidated financial statements.

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 2022



Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	6	45,622	40,257
Cost of sales		(36,674)	(30,870)
Gross profit		8,948	9,387
Other income and net gain or loss	7	(38,573)	(6,054)
Selling expenses		(2,252)	(1,685)
Administrative and other expenses		(14,487)	(19,307)
Gain on fair value change on investment properties	16	320	570
Finance costs	8	(8,847)	(6,867)
Loss before taxation	10	(54,891)	(23,956)
Income tax credit	9	188	1,037
Loss for the year		(54,703)	(22,919)
Other comprehensive income for the year:			
<i>Item that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties		–	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements		1,413	(1,742)
Total comprehensive loss for the year		(53,290)	(24,661)
Loss for the year attributable to:			
– Owners of the Company		(54,703)	(22,929)
– Non-Controlling interests		–	10
		(54,703)	(22,919)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		(53,290)	(24,671)
– Non-Controlling interests		–	10
		(53,290)	(24,661)
Loss per share (cents)			
– Basic and diluted	13	(0.17)	(0.19)

Consolidated Statement of Financial Position

	Notes	At at 31 December	
		2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	94,941	136,267
Right-of-use assets	15	4,797	4,952
Investment properties	16	–	10,090
		99,738	151,309
Current assets			
Inventories	17	10,972	6,393
Financial assets at fair value through profit or loss		12,990	–
Trade and bills receivables	18	27,355	35,568
Prepayment and other receivables	20	42,992	36,081
Pledged bank deposits	21	–	5,000
Cash and cash equivalents	21	9,228	25,763
		103,537	108,805
Current liabilities			
Trade and bills payables	22	38,128	31,986
Accruals and other payables	23	8,527	17,086
Lease liabilities	24	11,018	13,488
Borrowings	25	38,000	40,400
Income tax payable		1,153	1,098
		96,826	104,058
Net current assets		6,711	4,747
Total assets less current liabilities		106,449	156,056
Non-current liability			
Lease liabilities	24	196	4,937
Borrowings	25	88,000	90,131
Deferred tax liabilities	26	–	1,497
		88,196	96,565
Net assets		18,253	59,491

Consolidated Statement of Financial Position (Continued)

	Notes	At at 31 December	
		2021 RMB'000	2020 RMB'000
Capital and reserves			
Share capital	27	13,131	3,372
Reserves	28	5,122	56,119
Equity attributable to owners of the Company		18,253	59,491
Non-controlling interests		–	–
Total equity		18,253	59,491

The consolidated financial statements on page 42 to 115 were approved and authorised for issue by the board of directors on 31 March 2022 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(viii))	Retained earnings/(accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020	3,372	87,552	3,826	7,200	8,599	5,237	(35,783)	7,772	(11,750)	76,025	(10)	76,015
Loss for the year	-	-	-	-	-	-	-	-	(22,929)	(22,929)	10	(22,919)
Other comprehensive income:												
Gain on revaluation of properties	-	-	-	-	-	-	-	-	-	-	-	-
Exchange difference on translations of financial statements	-	-	-	-	-	(1,742)	-	-	-	(1,742)	-	(1,742)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(1,742)	-	-	(22,929)	(24,671)	10	(24,661)
Equity-settled share-based payment transactions (note 27)	-	-	-	-	495	-	-	-	-	495	-	495
Lapse of share-based payment transactions (note 27)	-	-	-	-	(5,550)	-	-	-	5,550	-	-	-
Proceeds from right issue yet to be effective	-	-	-	-	-	-	7,642	-	-	7,642	-	7,642
As at 31 December 2020 and 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	-	59,491
Loss for the year	-	-	-	-	-	-	-	-	(54,703)	(54,703)	-	(54,703)
Other comprehensive income:												
Exchange difference on translations of financial statements	-	-	-	-	-	1,413	-	-	-	1,413	-	1,413
Total comprehensive income/(loss) for the year	-	-	-	-	-	1,413	-	-	(54,703)	(53,290)	-	(53,290)
Share options issue	-	-	-	-	479	-	-	-	-	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	-	11,573
As at 31 December 2021	13,131	97,008	3,826	7,200	3,437	4,908	(35,783)	-	(75,474)	18,253	-	18,253

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Loss before taxation		(54,891)	(23,956)
Adjustments for:			
Depreciation of property, plant and equipment	14	8,205	3,839
Depreciation of right-of-use assets	15	155	155
Gain on fair value change on investment properties	16	(320)	(570)
Gain on disposal of a subsidiary	7	(3,105)	–
Gain on fair value of financial assets at FVTPL	7	(6,876)	–
(Reversal)/provision of impairment loss recognised under expected credit loss model,			
on trade receivable and other receivable, net of reversal	7	(123)	2,263
Impairment losses on property, plant and equipment	7	52,992	4,849
Interest expenses	8	8,847	6,867
Interest income from bank deposits	7	(7)	(19)
Loss on written off of property, plant and equipment	10	–	361
Share-based payment expense	29	479	495
Operating cash flows before movements in working capital		5,356	(5,716)
Increase/(decrease) in inventories		(4,579)	4,113
Decrease in trade and bills receivables		4,443	14,023
Increase/(decrease) in prepayment and other receivables		(25,652)	28,792
Decrease/(increase) in trade and bills payables		6,142	6,306
Increase in accruals and other payables		(10,254)	2,178
Cash (used in)/generated operations		(24,544)	49,696
Interest received		7	–
Net cash (used in)/generated from operating activities		(24,537)	49,696
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(10,741)	(119,026)
Purchase of financial assets at FVTPL		(6,114)	–
Net cash inflows from disposal of subsidiaries		(15,515)	–
Bank interest received		–	19
Net cash generated/(used in) from investing activities		(32,370)	(119,007)
Cash flows from financing activities			
Interest paid		(7,152)	(6,867)
Proceeds from borrowings		70,000	130,531
Repayments of borrowings		(34,531)	(52,900)
Proceeds from lease liabilities		–	23,000
Payment of lease liabilities		(5,615)	(4,575)
Withdrawal/(placement) of pledged bank deposits		5,000	(1,861)
Proceeds from issue of new shares upon right issue		11,573	7,642
Net cash generated from financing activities		39,275	94,970
Net (decrease)/increase in cash and cash equivalents		(17,632)	25,659
Cash and cash equivalents at the beginning of the reporting period		25,763	1,260
Effect on exchange rate changes on cash and cash equivalents		1,097	(1,156)
Cash and cash equivalents at the end of the reporting period	21	9,228	25,763

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. As at 31 December 2020, its controlling shareholder is Fortune Time Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and ultimate controlled by Mr. Liang Jianxun, Ms. Liang Zhimei and Mr. Zhang Zhiwei (collectively referred to as the “Controlling Shareholders”).

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

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

The 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	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activities
			2021	2020	
Able Hope Limited	BVI	US\$1 and HKD5,999,994.2	Nil	100%	Investment holding
Wangchen Metal Works Company Limited	Hong Kong	HKD10,000	Nil	100%	Investment holding
佛山市順德區萬成金屬包裝有限公司 (Foshan City Shunde Wancheng Metal Packaging Company Limited*)	The PRC	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
佛山市順德區萬僖金屬包裝有限公司 (Foshan City Shunde Wanxi Metal Packaging Company Limited*)	The PRC	RMB1,000,000	Nil	100%	Investment holding

* 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 Able Hope Limited and Wan Cheng Group Limited which are directly held by the Company, all other subsidiaries are indirectly held by the Company.

As at 31 December 2021, the Group did not have any non-controlling interests. As at 31 December 2020, the directors consider that the Group's non-controlling interests were insignificant to the Group and thus are not separately presented in these consolidated financial statements for the year ended 31 December 2021. In addition, no separate financial information of this non-wholly owned subsidiary is required to be presented.

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:

Amendment to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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)

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

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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 (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (a) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (b) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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 (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

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 (Continued)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

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.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of preparation (Continued)

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.

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 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 pressured 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

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.

Notes to the Consolidated Financial Statements (Continued)

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

Key sources of estimation uncertainty (Continued)

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 31 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.

Derecognition of discounted bills receivables

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

Fair value of investment properties

Investment properties are stated at fair value based on the market values, being the estimated amount for which properties could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction or the valuation performed by Peak Vision Appraisals Limited ("Peak Vision") a firm of independent professional valuers not connected with the Group. In determining the fair value, Peak Vision has based on method of valuation which involves certain estimates and assumptions. In relying on the valuation report, the management has exercised their judgments and is satisfied that the method of valuation is reflective of the current market conditions. Should there be any changes in assumptions due to change of market conditions, the fair value of the investment properties will be adjusted accordingly.

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:

	2021 RMB'000	2020 RMB'000
The PRC (country of domicile)	45,622	40,257

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	
	2021 RMB'000	2020 RMB'000
Customer A	10,646	8,885
Customer B	7,588	8,480
Customer C	5,823	–
Customer D	5,461	8,119

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	
	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers recognised at a point in time:		
Revenue from sales of tinplate packaging products	43,371	39,032
Revenue from sales of tinplates	2,251	1,225
	45,622	40,257

7. OTHER INCOME AND NET GAINS OR LOSS

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Other income and net gains:		
Interest income from bank deposits	7	19
(Loss)/gain from sale of scrap materials	871	(265)
Government grant (a)	–	39
Rental income (b)	–	47
Gain from sale of listed equity investments at FVTPL	1,796	–
Changes in fair value of listed equity investments at FVTPL	6,876	–
Gain on disposal of a subsidiary	3,105	–
Reversal/(provision) of impairment loss recognised under expected credit loss model on trade receivables and other receivables, net of reversal	123	(2,263)
Impairment loss recognised on property, plant and equipment	(52,992)	(4,849)
Others	1,640	1,218
	(38,573)	(6,054)

Notes:

- (a) During the year ended 31 December 2020, the Group received RMB39,000 from the government as a support to the Group's operations under Employment Support Scheme. There were no unfulfilled conditions or contingencies relating to these government grants. The Group did not receive any government grant during the year ended 31 December 2021.
- (b) No direct operating expenses incurred for investment properties that generated rental income during both years.

Notes to the Consolidated Financial Statements (Continued)

8. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense on borrowings	4,558	3,576
Interest expense on discounted bills receivables	347	255
Interest expense on lease liabilities	2,307	3,013
Interest expense on other borrowings	1,573	23
Bank charges	62	23
	8,847	6,867

9. INCOME TAX (CREDIT)/EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
PRC Enterprise Income Tax		
– Current year	–	–
Deferred tax (credit)/charge	(188)	(1,037)
	(188)	(1,037)

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	
	2021 RMB'000	2020 RMB'000
Loss before taxation	(54,891)	(22,919)
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	(13,193)	(5,087)
Tax effect of non-deductible expenses	934	5,229
Unrecognised deductible temporary difference	12,071	(1,179)
Income tax (credit)/expenses	(188)	(1,037)

Notes to the Consolidated Financial Statements (Continued)

10. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Auditor's remuneration for audit service	520	400
Cost of inventories sold	37,633	30,068
Depreciation of property, plant and equipment	8,205	3,839
Amortisation of right-of-use assets	155	155
Written off of property, plant and equipment	20,115	361
Expenditure related to short term lease	97	–
Staff costs (excluding directors' remuneration):		
– Salaries, allowances and benefits in kind	4,152	6,394
– Share-based payment expense	–	351
– Contributions to defined contribution pension plans	597	525
	4,749	7,270

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 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
Ms. Xiao Ping (Note (g))	-	-	-	-	-
Mr. Wu Chi King (Note (d))	120	-	-	-	120
Ms. Ha Yee Lan Elaine (Note (e))	100	-	-	127	227
	689	-	-	479	1,168
Year ended 31 December 2020					
<i>Executive directors</i>					
Mr. Liang Junqian (Note (a))	-	-	-	-	-
Mr. Wang Yun	128	-	-	48	176
Mr. Zou Yonggang	106	-	-	48	154
Mr. Chan Kit Lung, Andy	651	-	-	-	651
Ms. Liang Yingjun	-	90	-	-	90
<i>Independent non-executive directors</i>					
Mr. Wong Sui Chi	85	-	-	-	85
Ms. Hua Min	36	-	-	-	36
Ms. Xiao Ping (Note (g))	45	-	-	-	45
Mr. Wu Chi King (Note (d))	75	-	-	-	75
Ms. Ha Yee Lan Elaine (Note (e))	62	-	-	48	110
	1,188	90	-	144	1,422

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

Notes to the Consolidated Financial Statements (Continued)

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(a) Directors' remuneration (Continued)

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.
- (d) Mr. Wu Chi King was appointed on 8 June 2020.
- (e) Ms. Ha Yee Lan Elaine was appointed on 15 May 2020.
- (f) Ms. Hua Min was resigned on 15 May 2020.
- (g) Ms. Xiao Ping was resigned on 8 June 2020.

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 (2020: 4) director for the year, whose remunerations are included in note 9(a) above. The remunerations of remaining Nil (2020: 1) highest-paid employees who are neither a director nor Chief executive of the Company for the year are set out below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	-	146
Share-based payment expense	-	-
Contributions to defined contribution pension plans	-	8
	-	154

Notes to the Consolidated Financial Statements (Continued)

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(b) Five highest-paid individuals (Continued)

Their remuneration fell within the following bands:

	Year ended 31 December	
	2021 Number of employee	2020 Number of employee
Nil to HK\$1,000,000	Nil	1

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 2020 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 2021 (2020: 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 RMB54,703,000 (2020: RMB22,929,000) and the weighted average of 320,000,000 (2020: 122,062,000) ordinary shares in issue during the year.

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

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 2020	12,292	44,806	2,538	281	-	59,917
Additions	-	128	-	-	118,898	119,026
Written off	-	(2,432)	(398)	(281)	-	(3,111)
Exchange realignment	-	(1,302)	(99)	-	-	(1,401)
At 31 December 2020 and 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 from inter-com	121,543	-	-	-	(121,543)	-
Written off	-	(20,588)	(674)	-	-	(21,262)
Exchange realignment	-	(287)	(38)	-	-	(325)
At 31 December 2021	144,245	27,825	1,354	571	-	173,995
Accumulated depreciation						
As at 1 January 2020	8,851	22,510	1,393	203	-	32,957
Charge for the year	634	2,836	369	-	-	3,839
Written off	-	(2,190)	(357)	(203)	-	(2,750)
Impairment	-	4,584	265	-	-	4,849
Exchange realignment	-	(658)	(73)	-	-	(731)
As at 31 December 2020 and 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)
At 31 December 2021	58,652	18,956	1,098	348	-	79,054
Carrying amounts						
At 31 December 2021	85,593	8,869	256	223	-	94,941
At 31 December 2020	2,807	14,118	444	-	118,898	136,267

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 2020	5,107
Depreciation charge	(155)
Carrying amount as at 31 December 2020 and 1 January 2021	4,952
Depreciation charge	(155)
Carrying amount as at 31 December 2021	4,797

Notes to the Consolidated Financial Statements (Continued)

15. RIGHT-OF-USE ASSETS (Continued)

Carrying amount as at 31 December 2020

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 2020	9,520
Gain arising on change in fair value	570
As at 31 December 2020 and 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	–

Notes to the Consolidated Financial Statements (Continued)

16. INVESTMENT PROPERTIES (Continued)

All of the Group's investment properties is pledged to secure the Group's banking facilities and bills payables.

The investments properties are located in the PRC and held under medium-term lease.

The Group leases out certain portion of its building and the respective leasehold land under operating leases with rentals income receivable on a monthly basis. The leases typically run for an initial period of 2 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB. The lease contracts do not contain lessee's option to purchase the property at the end of lease term.

Fair Value Measurement of Investment Properties

(i) Fair value hierarchy

There was no investment properties held by the Group as at 31 December 2021. The following table presents the fair value of the Group's investment properties measured as at 31 December 2020 on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3 valuations: fair value measured using significant unobservable inputs.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
<i>Fair value on a recurring basis</i>				
Investment properties:				
– Located in the PRC	–	–	10,090	10,090

Notes to the Consolidated Financial Statements (Continued)

16. INVESTMENT PROPERTIES (Continued)

Fair Value Measurement of Investment Properties (Continued)

(i) Fair value hierarchy (Continued)

There were no transfers between Level 1 and Level 2 or transfers out of Level 3 in the current year.

The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the date of the events or change in circumstance that caused the transfer.

The fair value of the Group's investment properties as at 31 December 2020 has been arrived at on the basis of a valuation carried out by Peak Vision on the respective dates. Peak Vision are members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

At the end of each reporting period, the management will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) holds discussion with the valuers.

In estimating their fair value of the investment properties, the highest and best use of the investment properties is their current use.

Notes to the Consolidated Financial Statements (Continued)

16. INVESTMENT PROPERTIES (Continued)

Fair Value Measurement of Investment Properties (Continued)

(ii) Information about Level 3 fair value measurements

	Fair value as at 31 December 2020 RMB'000	Valuation technique	Significant unobservable inputs	Range 2020	Relationship of significant unobservable inputs to fair value
Investment properties located in the PRC	10,090	Investment method	(i) Term yield; (ii) Reversionary yield; (iii) Market unit rent per month (RMB/sq.m.)	5.3% 6.3% 15.6	The changes in the term yield would not materially affect the fair value. Assuming that the market value stand, the increase in the reversionary yield would result in a decrease in fair value Assuming that the yield stand, the increase in the market unit rent would result in an increase in fair value.

The Group believes that any possible changes in input values would not cause significant change in fair value of investment properties.

Fair value adjustment of investment properties is recognised in the line item “gain on fair value change on investment properties” on the face of the consolidated statement of profit or loss and other comprehensive income.

17. INVENTORIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Raw materials	6,218	5,596
Work-in-progress	864	782
Finished goods	3,890	15
	10,972	6,393

Notes to the Consolidated Financial Statements (Continued)

18. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables arising from contract with customers	42,541	52,259
Bills receivables	5,616	820
	48,157	53,079
Less: allowance for credit losses	(20,802)	(17,511)
	27,355	35,568

The credit terms granted to individual customers varies on a customer by customer basis which is determined by management with reference to the creditability of a respective customer. The general credit period ranged from 30 to 120 days (2020: 30 to 120 days) and the settlement period of bills receivables ranged from 30 to 120 days (2020: 30 to 120 days).

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 month	7,060	15,854
More than 1 month but not more than 3 months	6,427	2,017
More than 3 months but not more than 6 months	1,430	2,419
More than 6 months but not more than 1 year	2,110	2,480
More than 1 year	10,328	12,798
	27,355	35,568

As at 31 December 2021, included in the Group's trade and bills receivables balance are debtors with aggregate gross carrying amounts of approximately RMB36,316,000 (2020: RMB36,583,000) which are past due at the end of the reporting period.

The Group's trade and bills receivables with carrying amounts of approximately RMB5,661,000 (2020: RMB6,446,000) are denominated in HKD.

Details of impairment assessment of trade and bills receivables are set out in note 35 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

19. TRANSFER OF FINANCIAL ASSETS

The Group discounted certain bills receivables accepted by banks in the PRC (the “Derecognised Bills”) to a bank with a carrying amounts of RMB10,361,000 (2020: RMB11,002,000) as at 31 December 2021. The Derecognised Bills had maturity dates of less than six months at the end of each reporting periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantial all risks and rewards relating to the Derecognised Bills and has discharged its obligations under the relevant PRC practices, rules and regulations, the Group has limited exposure in respect of the settlement obligation of the Derecognised Bills under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The Group considered the Derecognised Bills are of good credit quality and the non-settlement of the Derecognised Bills by the issuing banks on maturity is remote. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2021, the Group has not recognised any gain or loss on the transfer of the Derecognised Bills (2020: Nil). No gain or loss were recognised from the Continuing Involvement, both during the each of the reporting period or cumulatively. The discounting of bills receivables have been made evenly throughout the reporting period.

20. PREPAYMENT AND OTHER RECEIVABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Prepayment	6,230	5,805
Advance payment to suppliers	31,048	22,634
Other receivables	5,714	7,642
	42,992	36,081

Notes to the Consolidated Financial Statements (Continued)

20. PREPAYMENT AND OTHER RECEIVABLES (Continued)

Amounts of RMB42,000 and RMB5,000 (2020: RMB43,000 and RMB5,000) included in other receivables are due from Fortune Time, a company controlled by the Controlling Shareholders of the Company, and Wangchen Packaging International Company Limited (“Wangchen Packaging International”), a company controlled by JX Liang, who is one of the Controlling Shareholders of the Company. The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

The maximum indebtedness due from Fortune Time and Wangchen Packaging International are approximately RMB42,000 and RMB5,000 (2020: RMB43,000 and RMB5,000) during the year ended 31 December 2021.

The Group’s other receivables with carrying amounts of approximately RMBNil (2020: RMB49,500) are denominated in HKD.

Details of impairment assessment of other receivables are set out in note 35 to the consolidated financial statements.

21. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

As at 31 December 2020, 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.

As at 31 December 2021, the Group has cash and cash equivalents of approximately RMB6,373,000 (2020: RMB11,256,000) denominated in HKD.

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.

Details of impairment assessment of pledged bank deposits and cash and cash equivalents are set out in note 35 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

22. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade payables	30,224	27,032
Bills payables	7,904	4,954
	38,128	31,986

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	
	2021 RMB'000	2020 RMB'000
Within 1 month	25,993	18,625
More than 1 month but not more than 3 months	5,942	4,346
More than 3 months but not more than 6 months	3,244	4,203
More than 6 months but not more than 1 year	271	557
Over 1 year	2,678	4,255
	38,128	31,986

Notes to the Consolidated Financial Statements (Continued)

22. TRADE AND BILLS PAYABLES (Continued)

Bills payables are secured by:

- (a) Pledge of buildings (Note 14) held by the Group with carrying amounts of RMB2,173,000 (2020: RMB2,807,000) as at 31 December 2021;
- (b) Pledge of right-of-use assets (previously classified as payments for leasehold land held for own use under HKAS 17) (Note 15) by the Group with carrying amount of RMB4,797,000 (2020: RMB4,952,000) as at 31 December 2021;
- (c) Investment properties (Note 16) by the Group with fair value of RMB10,090,000 as at 31 December 2020; and
- (d) Nil of pledged bank deposits (Note 21) as at 31 December 2021 (2020: RMB5,000,000).

23. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Other payables	6,536	14,781
Other tax payables	46	27
Accruals	1,945	2,278
	8,527	17,086

As at 31 December 2020, amount of RMB7,438,000 included in other payables are due to JX Liang, who is one of the ex-controlling shareholders of the Company. The amount is non-trade nature, unsecured, interest-free and repayable on demand.

The Group's accruals and other payables with carrying amounts of approximately RMB1,016,000 (2020: RMB1,267,000) that are denominated in HKD.

Notes to the Consolidated Financial Statements (Continued)

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 2021		31 December 2020 (Note)	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	11,374	11,018	16,091	13,488
After 1 year but within 2 years	4,140	196	5,160	4,937
	15,514	11,214	21,251	18,425
Less: total future interest expenses		4,300		2,826
Present value of lease liabilities		15,514		21,251

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	
	2021 RMB'000	2020 RMB'000
Current liabilities		
Secured bank borrowings	38,000	40,400
Unsecured borrowing	–	–
	38,000	40,400
Non-Current liabilities		
Secured bank borrowings	–	83,000
Unsecured borrowing	88,000	7,131
	88,000	90,131
	126,000	130,531

As at 31 December 2021, 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 5.0% to 5.65% per annum (2020: ranging from 5.0% to 5.65% per annum).

Amount of 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, interest-free.

The bank borrowings are secured by:

- Pledge of buildings (Note 14) held by the Group with carrying amounts of RMB2,807,000 (2020: RMB2,807,000) as at 31 December 2021;
- Pledge of right-of-use assets (previously classified as payments for leasehold land held for own use under HKAS 17) (Note 15) by the Group with carrying amount of RMB4,797,000 (2020: RMB4,952,000) as at 31 December 2021; and
- Investment properties (Note 16) by the Group with fair value of RMB10,090,000 as at 31 December 2020.
- Nil of pledged bank deposit as at 31 December 2021 (2020: RMB5,000,000).
- Personal guarantees executed by the directors of the subsidiaries.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2021 amounted to RMB91,400,000 (2020: RMB89,000,000).

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 2020	100	2,518	2,618
Charged to profit or loss	143	(1,180)	(1,037)
Exchange realignment	–	(84)	(84)
At 31 December 2020 and 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 HKD0.01 each '000	Number of ordinary shares of HKD0.05 each '000	Amount RMB'000
Authorised:			
As at 1 January 2020, as at 31 December 2020, and 1 January 2021	–	2,000,000	83,490
Share consolidation	–	–	16,510
As at 31 December 2021	–	2,000,000	100,000
Issued and fully paid:			
As at 1 January 2020, as at 31 December 2020, and 1 January 2021	–	80,000	3,372
Rights issue	–	240,000	9,759
As at 31 December 2021	–	320,000	13,131

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 2020, the Group carried out the share consolidation pursuant to which every five existing shares will be consolidated into one consolidated share with effective on 15 April 2020.

As a result of the share consolidation, the number of shares in issue has been updated from 400,000,000 then issued shares of HK\$0.01 each to 80,000,000 shares of HK\$0.05 each.

Rights issue

During the year ended 31 December 2020, the Group carried out the rights issue on basis of three Rights Shares for every one Share.

The Group completed the rights issue on 15 January 2021.

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> <p>During the year, an amount of approximately RMB7,642,000 arose from the proceeds received in advance from the issuance of right issue effective on 15 January 2021. Such amount will be reclassified to share capital and share premium upon the allotment of the shares.</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 2021, 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 29,971,142 (2020: 16,000,000), representing 9.4% (2020: 20%) of the shares of the Company in issue at that date.

Date of grant	Exercisable period	Exercise price HKD	Adjusted exercise price HKD	Outstanding after share consolidation on		Granted during 2020	Lapsed during 31.12.2020	Number of share options		Outstanding after the rights issue	Granted during 2021	Lapsed during 2021	Outstanding at 31.12.2021
				1.1.2020	15 April 2020			Outstanding at 31.12.2020 and 1.1.2021	Adjusted during the period upon effective of the rights issue				
17.04.2018	17.4.2018 – 16.4.2028	0.375	1.229	40,000,000	8,000,000	-	7,200,000	800,000	420,619	1,220,619	-	(1,220,619)	-
10.04.2019	10.4.2019 – 9.4.2029	0.156	0.511	40,000,000	8,000,000	-	800,000	7,200,000	3,785,567	9,764,952	-	-	9,769,952
18.05.2020	18.5.2020 – 17.5.2023	0.274	0.180	-	-	8,000,000	-	8,000,000	4,206,190	12,206,190	-	-	12,206,190
21.05.2021	21.5.2021 – 19.5.2024	0.131	-	-	-	-	-	-	-	-	8,000,000	-	8,000,000
				80,000,000	16,000,000	8,000,000	8,000,000	16,000,000	8,412,376	23,191,761	8,000,000	(1,220,619)	29,971,142
	Weighted average exercise price (HKD)			0.266	1.33	0.274	1.765	0.581			0.131	1.229	0.25

Upon the Share Consolidation becoming effective on 15 April 2020, every five (5) Existing Shares were consolidated into one (1) Consolidated Shares.

On 15 January 2021, the Group completed the Rights Issue on basis of three Rights Shares for every one Share.

During the year ended 31 December 2021, a total number of 1,220,619 share options were lapsed (2020: 8,000,000).

During the year ended 31 December 2021, the estimated fair value of the options granted are approximately RMB479,000 (2020: RMB495,000).

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:

	21.05.2021	18.05.2020	10.04.2019
Exercise price (HKD)	0.131	0.274	0.156
Expected volatility (%)	139	43	40
Expected option life (years)	3	3	10
Expected dividend yield (%)	-	-	-
Risk-free interest rate (%)	0.213	0.306	1.651
Fair value per share option at grant date (HKD)	0.07	0.07	0.08

Notes to the Consolidated Financial Statements (Continued)

29. SHARE OPTION SCHEME (Continued)

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.

30. OPERATING LEASING ARRANGEMENT

The Group as a lessor

All of the properties held for rental purposes have committed lessees for the next three years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within one year	–	809
In the second year	–	169
In the third year	–	–
	–	978

31. CAPITAL COMMITMENT

	2021 RMB'000	2020 RMB'000
Contracted but not yet provided for construction of properties	–	98,742
	–	98,742

Notes to the Consolidated Financial Statements (Continued)

32. 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)

33. 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 19 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	
	2021 RMB'000	2020 RMB'000
Directors' fees	689	1,188
Salaries, allowances and benefits in kind	–	150
Share-based payment expense	479	144
Contributions to defined contribution pension plans	–	–
	1,168	1,482

34. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Financial assets		
Measured at amortised cost:		
Trade and bills receivables	27,355	35,568
Other receivables	42,242	7,642
Pledged bank deposits	–	5,000
Cash and cash equivalents	9,228	25,763
	78,825	73,973
Financial liabilities		
Measured at amortised cost:		
Trade and bills payables	38,128	31,986
Accruals and other payables	8,527	17,086
Lease liabilities	11,214	18,425
Borrowings	126,000	130,531
	183,869	198,028

Notes to the Consolidated Financial Statements (Continued)

35. 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 2021 and 2020, 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 2021 and 31 December 2020 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 2021, the Group reversed ECL of RMB3,894,000 (2020: RMB5,862,000) for other receivables.

Notes to the Consolidated Financial Statements (Continued)

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

(a) Credit risk and impairments assessment (Continued)

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 RMB12,940,000 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.

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	
	2021	2020	2021	2020	2021	2020
Current (not past due)	0.86%	0.38%	7,115	18,762	55	71
1-90 days past due	0.88%	0.23%	6,497	2,424	70	6
91-180 days past due	2.18%	4.14%	1,443	2,588	13	107
Over 180 days past due	17.57%	13.54%	25,000	29,305	12,562	3,967
			40,055	53,079	12,700	4,151

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.

During the year ended 31 December 2021, the Group provided approximately RMB1,770,000 and reversal of RMB3,894,000 (2020: RMB978,000 and RMB5,862,000) impairment allowance for trade and bills receivables and other receivables that are not credit-impaired, based on the provision matrix, and on credit-impaired trade receivables that were assessed individually.

Notes to the Consolidated Financial Statements (Continued)

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

(a) Credit risk and impairments assessment (Continued)

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 2020	7,889	14,195	22,084
Impairment loss recognised	978	–	978
Impairment loss reversed	(4,577)	–	(4,577)
Exchange realignment	(139)	(835)	(974)
As at 31 December 2020	4,151	13,360	17,511
Impairment loss recognised	3,770	–	3,770
Impairment loss reversed	–	–	–
Exchange realignment	(59)	(420)	(479)
As at 31 December 2021	7,862	12,940	20,802

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)

35. 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 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
As at 31 December 2020					
Trade and bills payables	–	31,986	31,986	31,986	–
Accruals and other payables	–	24,217	24,217	24,217	–
Lease liabilities	15.3%	18,425	21,251	16,091	5,160
Borrowings	5.1%	130,531	139,045	45,889	93,156
		205,159	216,499	118,183	98,316

Notes to the Consolidated Financial Statements (Continued)

35. 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			
	2021		2020	
	Weighted average effective interest rate	RMB'000	Weighted average effective interest rate	RMB'000
Floating-rate pledged bank deposits	–	–	0.3%	5,000
Floating-rate bank balances	0.3%	9,228	0.3%	25,763
		9,228		30,763
Floating-rate borrowings	–	–	5.3%	83,000
Fixed-rate borrowings	2%-5.5%	126,000	5.5%	40,400
Fixed-rate borrowings	7%	11,214	18%	18,425

Notes to the Consolidated Financial Statements (Continued)

35. 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 RMB800,000 (2020: RMB707,000).

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.

36. 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.

37. 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)

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Non-current assets		
Property, plant and equipment	164	355
Investments in subsidiaries	–	42,860
	164	43,215
Current assets		
Financial assets at fair value through profit or loss	12,990	–
Prepayment and other receivables	3,496	4,870
Amounts due from subsidiaries	18	7,099
Cash and cash equivalents	6,374	11,224
	22,878	23,193
Total assets	23,042	66,408
Current liabilities		
Amounts due to subsidiaries	–	17,745
Accruals and other payables	1,015	1,207
Total liabilities	1,015	18,952
Net current assets	21,863	4,241
Net assets	22,027	47,456
Capital and reserves		
Share capital	13,131	3,372
Reserves	8,896	44,084
Total equity	22,027	47,456

Signed on its behalf by:

Wang Yun
Director

Zou Yonggang
Director

Notes to the Consolidated Financial Statements (Continued)

38. 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 2020	87,552	8,599	3,353	(47,078)	-	52,426
Loss for the year	-	-	-	(15,826)	-	(15,826)
Other comprehensive expense for the year	-	-	(653)	-	-	(653)
Total comprehensive loss for the year	-	-	(653)	(15,826)	-	(16,479)
Equity-settled share-based payment transactions	-	495	-	-	-	495
Lapse of share-based payment transactions	-	(5,550)	-	5,550	-	-
Proceeds from right issue yet to be effective	-	-	-	-	7,642	7,642
At 31 December 2020 and 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	97,008	3,437	2,626	(94,175)	-	8,896

As at 31 December 2021 and 2020, the distributable reserve of the Company amounted to approximately RMB2,833,000 (2020: RMB30,198,000).

Notes to the Consolidated Financial Statements (Continued)

39. 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 2020	52,900	–	–	52,900
Non-cash changes:				
Interest expenses recognised (Note 7)	–	–	6,687	6,687
Cash flows				
– Inflow from financing activities	130,531	23,000	–	153,531
– Outflow from financing activities	(52,900)	(4,575)	(6,687)	(64,162)
As at 31 December 2020 and as at 1 January 2021	130,531	18,425	–	148,956
Non-cash changes:				
Interest expenses recognised (Note 7)	–	–	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	126,000	11,214	–	137,214

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

Financial Summary

	31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
RESULTS					
Revenue	45,622	40,257	59,061	115,438	125,691
(Loss)/profit before taxation	(54,891)	(23,956)	(28,812)	(7,617)	865
Income tax credit/expenses	188	1,037	(100)	(304)	(4,419)
(Loss)/profit for the year	(54,703)	(22,919)	(28,912)	(7,921)	(3,554)
ASSETS AND LIABILITIES					
Total assets	203,275	260,114	173,219	176,876	192,337
Total liabilities	(185,022)	(200,623)	(97,204)	(83,667)	(99,372)
Net assets	18,253	59,491	76,015	93,209	92,965
Equity attributable to owners of the company	18,253	59,491	76,025	93,209	92,965
Non-controlling interest	-	-	(10)	-	-
Total equity	18,253	59,491	76,015	93,209	92,695