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.

Contents

Corporate Information

DIRECTORS

Executive Directors:

Mr. Liang Junqian *(Chairman)*
(redesignated on 2 November 2017)
Mr. Liang Juncheng *(Chief Executive Officer)*
Mr. Chan Kit Lung Andy
Mr. Liang Jianheng (resigned on 2 November 2017)

Independent Non-executive Directors:

Mr. Wong Sui Chi
Ms. Hua Min
Ms. Xiao Ping

AUDIT COMMITTEE

Mr. Wong Sui Chi *(Chairman)*
Ms. Hua Min
Ms. Xiao Ping

REMUNERATION COMMITTEE

Ms. Hua Min *(Chairman)*
Mr. Wong Sui Chi
Ms. Xiao Ping

NOMINATION COMMITTEE

Ms. Xiao Ping *(Chairman)*
Mr. Wong Sui Chi
Ms. Hua Min

COMPANY SECRETARY

Mr. Chiu Wai Yip Raymond

COMPLIANCE OFFICER

Mr. Chan Kit Lung Andy

AUTHORISED REPRESENTATIVES

Mr. Chan Kit Lung Andy
Mr. Chiu Wai Yip Raymond

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 3 Huada Road
Hi-tech Industrial Development Zone
Ronggui Street, Shunde District
Foshan City, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1203, 12th Floor
Shanghai Industrial Investment Building
60 Hennessy Road, Wanchai
Hong Kong

Corporate Information (Continued)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suite 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Bank of China
Bank of China Tower
1 Garden Road
Hong Kong

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

COMPLIANCE ADVISER

Dakin Capital Limited
Room 2701
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

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.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the first annual report of Wan Cheng Metal Packaging Company Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2017.

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 and during the preparation process of the Listing. The fund raised from the placing of shares of the Company will be used to promote the future 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 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 despite a difficult external environment in 2017, i.e. increasing manufacturing costs and cost of raw materials. 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 2017 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. Liang Junqian
Chairman
Hong Kong, 21 March 2018

Management Discussion and Analysis

BUSINESS ACTIVITIES

The Group is principally engaged in manufacturing and sales of tinplate packaging products in the PRC. 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 2017, 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 RMB7.2 million, or approximately 6.1%, from approximately RMB118.5 million for the year ended 31 December 2016 to approximately RMB125.7 million for the year ended 31 December 2017, which was contributed by the increase in the average selling price of the Group's tinplate packaging products.

The loss for the year ended 31 December 2017 was approximately RMB3.6 million as compared to profit for the year of approximately RMB7.3 million for the year ended 31 December 2016. Excluding the non-recurring listing expenses of approximately RMB8.8 million and approximately RMB8.6 million incurred for the year ended 31 December 2016 and 2017 respectively, profit for the year ended 31 December 2016 and 2017 would be approximately RMB16.1 million and RMB5.0 million respectively. Such decrease was mainly due to (a) increase of average cost of tinplate for the year ended 31 December 2017; (b) the recognition of non-recurring listing expenses of approximately RMB8.6 million for the year ended 31 December 2017; and (c) deferred taxation due to temporary difference of property, plant and equipment recognised during the year ended 31 December 2017.

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

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

(b) For steel pails, the Group purchased one new production line for production of steel pails to meet the potential growth on the Group's revenue from the sales of steel pails so as to maintaining its competitiveness.

As part of its strategy to expand its market share, the Group will attend certain exhibition for coatings and coating related products. The Group also plan to expand the sales team with experienced staff in order to focus on the soliciting of new customers for its product portfolio. The Group aim to achieve stable growth and reduce the concentration risk in any single customer group by the expansion of the customer base.

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

Management Discussion and Analysis (Continued)

DEBTS AND CHARGE ON ASSETS

The Group had total borrowings of RMB39.0 million and RMB39.0 million as at 31 December 2017 and 31 December 2016 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 RMB5.5 million and approximately RMB6.2 million as at 31 December 2017 and 31 December 2016 respectively;

(b) Pledge of payments for leasehold land held for own use under operating lease by the Group with net carrying amount of approximately RMB6.0 million and approximately RMB6.1 million as at 31 December 2017 and 31 December 2016 respectively; and

(c) Pledged bank deposits of approximately RMB1.1 million and approximately RMB3.2 million as at 31 December 2017 and 31 December 2016 respectively.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2017 and 31 December 2016 is amounted to approximately RMB6.0 million and approximately RMB8.2 million, respectively.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2017 and 31 December 2016 is amounted to RMB25.0 million and RMB1.0 million, respectively.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS FROM THE SHARE OFFER

The Company successfully listed on the GEM of the Stock Exchange on 18 July 2017 and 100,000,000 ordinary shares were issued at HK$0.65 per share by way of share offer ("Share Offer"). Net proceeds from the Share Offer was approximately HK$33.4 million (after deducting the underwriting fees and other related expenses).

These proceeds are designated for the purposes in accordance the Company's prospectus dated 29 June 2017 ("Prospectus"), which is (i) approximately 56.1% of the net proceeds, representing approximately HK$18.7 million to purchase of one new production line for production of steel pails, (ii) approximately 10.2% of the net proceeds, representing approximately HK$3.4 million to upgrade of the Group's existing production line, (iii) approximately 27.4% of the net proceeds, representing approximately HK$9.2 million to repay bank loan and (iv) approximately 6.3% of the net proceeds, representing approximately HK$2.1 million for general working capital purposes.

Management Discussion and Analysis (Continued)

As at 31 December 2017, the Group's planned application and actual utilisation of the net proceeds are set out below:

Use of proceeds	Net proceeds HK$ million	Utilised HK$ million
Purchase of production line for production of steel pails	18.7	18.7
Upgrade of existing production lines	3.4	3.4
Partial repayment of bank loan	9.2	9.2
General working capital	2.1	2.1
	33.4	33.4

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2017, 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 from the sales of tin cans increased by approximately RMB3.6 million, or approximately 6.0%, from approximately RMB60.3 million for the year ended 31 December 2016 to approximately RMB63.9 million for the year ended 31 December 2017. Such increase was mainly due to the increase in average selling price during the year ended 31 December 2017.

Revenue from the sales of steel pails, which have relatively higher average selling price per unit than tin cans, increased by approximately RMB1.3 million, or approximately 2.7%, from approximately RMB48.0 million for the year ended 31 December 2016 to approximately RMB49.3 million for the year ended 31 December 2017. Such increase was mainly due to the increase of customer orders and average selling price during the year ended 31 December 2017.

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 RMB16.1 million, or approximately 19.2% from approximately RMB83.9 million for the year ended 31 December 2016 to approximately RMB100.0 million for the year ended 31 December 2017. Such increase was mainly due to the higher average cost of tinplate coils consumed for our production during the year ended 31 December 2017 as compared to the year ended 31 December 2016.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB34.6 million for the year ended 31 December 2016 to approximately RMB25.7 million for the year ended 31 December 2017.

Gross profit margin decreased from approximately 29.2% for the year ended 31 December 2016 to 20.5% for the year ended 31 December 2017. The decrease was mainly due to the increase of average cost of tinplate notwithstanding it had partially been offset by the increased revenue from the increase in average selling price in the year ended 31 December 2017 as compared to the year ended 31 December 2016.

Management Discussion and Analysis (Continued)

Other income and gains

Other income and gains mainly represents the government grant, sales of scrap materials, interest income from bank deposits and bad debt recovered, which increased from approximately RMB1.2 million for the year ended 31 December 2016 to approximately RMB3.6 million for the year ended 31 December 2017. The increase was mainly due to the government grant of approximately RMB2.5 million in 2017.

Selling expenses

The Group's selling expenses mainly included transportation costs for its logistic team, staff costs, entertainment expenses and consumables were approximately RMB1.8 million and RMB3.0 million for the year ended 31 December 2016 and 2017 respectively. The increase was mainly due to the advertising activities performed during the year ended 31 December 2017 which amounting to approximately RMB1.2 million.

Administrative and other expenses

The Group's administrative and other expenses mainly included staff costs, building administrative fees, other tax expenses, depreciation and amortization, travelling and entertainment, office consumables and supplies, legal and professional fees, listing expenses and other miscellaneous administrative expenses. The Group recorded an increase in administrative and other expenses by approximately RMB4.5 million, or approximately 24.5%, from approximately RMB18.3 million for the year ended 31 December 2016 to approximately RMB22.8 million for the year ended 31 December 2017. Such increase was mainly due to the higher professional fee incurred due to become listing and higher depreciation incurred for the year ended 31 December 2017. Excluding the non-recurring listing expenses of approximately RMB8.8 million and approximately RMB8.6 million incurred for the year ended 31 December 2016 and 2017, respectively, the adjusted administrative and other expenses were approximately RMB9.5 million and RMB14.2 million for each of the year ended 31 December 2016 and 2017 respectively.

Finance costs

The Group's finance costs mainly comprised of interest expenses on bank borrowings and discounted bills receivables and bank charges. The finance costs increased by approximately RMB0.4 million, or approximately 13.9%, from approximately RMB2.3 million for the year ended 31 December 2016 to approximately RMB2.7 million for the year ended 31 December 2017. Such increase was mainly due to the higher discounted rate of bills in the year ended 31 December 2017 as compared to the year ended 31 December 2016.

Loss for the year

As a result of the cumulative factors discussed above, the loss for the year under review was approximately RMB3.6 million as compared to profit for the year of approximately RMB7.3 million for the year ended 31 December 2016. Excluding the non-recurring listing expenses approximately RMB8.8 million and approximately RMB8.6 million incurred for the year ended 31 December 2016 and 2017 respectively, the profit recorded by the Company would be RMB16.1 million for the year ended 31 December 2016 and approximately RMB5.0 million for the year ended 31 December 2017 respectively. Such decrease was mainly due to (a) increase of average cost of tinplate for the year ended 31 December 2017; (b) the recognition of non-recurring listing expenses of approximately RMB8.6 million for the year ended 31 December 2017; and (c) deferred taxation due to temporary difference of property, plant and equipment recognised during the year ended 31 December 2017.

Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2017.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2017, the Group's total cash and bank balances were approximately RMB43.1 million (31 December 2016: approximately RMB50.1 million). Gearing ratio of the Group decreased from approximately 81.1% as at 31 December 2016 to approximately 42.0% as at 31 December 2017 mainly due to increase in equity as a result of the listing during the year ended 31 December 2017.

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 7 to 8 of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 December 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, there were no significant contingent liabilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 245 employees (31 December 2016: 294 employees). Staff costs of the Group (including Directors' remuneration, wages, salaries and other benefits and contribution to defined contribution pension plans) amounted to approximately RMB12.8 million for the year ended 31 December 2017 (for the year ended 31 December 2016: approximately RMB14.0 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' overall remuneration is determined based on the Group's and the employees' qualifications and performance.

Management Discussion and Analysis (Continued)

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investment for the year ended 31 December 2017.

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 2017, the Group did not hedge any exposure to foreign exchange risk.

CAPITAL STRUCTURE

As at 4 May 2016, the Company's issued share capital was HK$3,000,000 and the number of its issued ordinary share was 300,000,000 of HK$0.01 each. As at Listing Date, the Company's issued share capital was increased to HK$4,000,000 and the number of its issued ordinary shares was 400,000,000 of HK$0.01 each. There has been no change in the capital structure of the Company since then.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this annual report, the Group did not have other plans for material investments or capital assets as at 31 December 2017.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liang Junqian, aged 70, is the Chairman of the Board and an executive Director. He is responsible for the overall strategic development and planning, and customer relationship management of the Group. Mr. Liang has over 13 years of experience in the tinplate packaging industry and around 19 years of experience in paint and coatings industry. He served as a director of Foshan City Shunde Wancheng Metal Packaging Company Limited ("Wancheng Shunde"), the operating subsidiary of the Company since December 2003. He is a brother of Mr. Liang Juncheng, an executive director.

Mr. Liang Juncheng, aged 67, is one of the founders of the Group, a chief executive officer and an executive Director. He is mainly responsible for the overall management of the business operations of the Group. Mr. Liang has over 19 years of experience in the tinplate packaging industry. He has served as the general manager of Wancheng Shunde and has been participating in the day-to-day management of Wancheng Shunde's business and operations of the Group since 1997. He is a brother of Mr. Liang Junqian, an executive director.

Mr. Chan Kit Lung Andy, aged 37, is an executive Director since May 2016. Mr. Chan is mainly responsible for the strategic development and overall management of the business operations and compliance functions of the Group. Since joining the Group, he has been involved in the making of strategic development plans of the Group by using his business network and expertise in the field of chemical products to provide insights on the trend of the customers' paint and coatings industry and analysis on the customers' needs on the paint and coatings packaging product. Before joining the Group, Mr. Chan was a director of a company which was incorporated in the United Kingdom and principally engaged in the trading of cosmetics from June 2010 to January 2013. Mr. Chan received a bachelor degree of science in chemistry from University College London in the United Kingdom in August 2003 and a master degree of science in chemical research from Queen Mary and Westfield College (currently known as Queen Mary University of London) in the United Kingdom in November 2005. Mr. Chan has been a member of the Royal Society of Chemistry in the United Kingdom since April 2016. Mr. Chan has also been President of the Hong Kong Industrial and Commercial Association Youth Link since March 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sui Chi, aged 50, 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 has also been serving as an independent non-executive director of BCI Group Holdings Limited (a company listed on the Stock Exchange (stock code: 8412)) since March 2017. Mr. Wong was an independent non-executive director of U Banquet Group Holding 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.

Biographical Details of Directors and Senior Management (Continued)

Ms. Hua Min, aged 34, is an independent non-executive Director since February 2017. She is also the chairman of the remuneration committee and a member of each of the audit committee and nomination committee. Ms. Hua has been a practicing lawyer and partner of Guangdong Benwu Law Firm (廣東本務律師事務所) since March 2017 and of Guangdong Tong Jian Law Firm* (廣東通建律師事務所) from November 2013 to March 2017. Ms. Hua was accredited as a PRC lawyer by the Ministry of Justice of the PRC in October 2008. She served as a practicing lawyer of Guangdong Tong Fa Zheng Cheng Law Firm (廣東通法正承律師事務所) from October 2008 to September 2010 and from June 2011 to November 2013. Ms. Hua received a bachelor degree in law from Harbin University of Commerce (哈爾濱商業大學) in the PRC in July 2005 and a master degree in law majoring in international law from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2007.

Ms. Xiao Ping, aged 35, is an independent non-executive Director since February 2017. She is also the chairman of the nomination committee and a member of each of the audit committee and remuneration committee. Ms. Xiao has been a practicing lawyer and partner of Guangdong Shangyao Law Firm (廣東尚堯律師事務所) since April 2017 and was a practicing lawyer of Guangdong Guolong Law Firm (廣東國龍律師事務所) from October 2013 to April 2017. Ms. Xiao was accredited as a PRC lawyer by the Ministry of Justice of the PRC in January 2013. She was an assistant lecturer in law of Technological Vocational College of Dezhou (德州科技職業學院) from October 2006 to October 2008. Ms. Xiao received a bachelor degree in law from Harbin University of Commerce (哈爾濱商業大學) in the PRC in July 2005 and a master degree in law majoring in civil and commercial law from Guangdong University of Business (廣東商學院) (currently known as Guangdong University of Finance and Economics (廣東財經大學)) in June 2011.

SENIOR MANAGEMENT

Mr. He Jieming, aged 47, 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 34, 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 49, is the accounting manager of Wancheng Shunde and responsible for the overall financial administration and inventory management of Wancheng Shunde. Ms. Feng has approximately 14 years of experience in accounting and inventory management. Ms. Feng joined the Group as an accounting officer of Wancheng Shunde in January 2002 and was promoted to the current position in October 2014. Ms. Feng received the certificate of accounting professional from the Shunde Finance Bureau in September 2004.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Board is satisfied that the Company had complied with the CG Code during the period from the Listing Date to 31 December 2017.

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 period from the Listing Date to 31 December 2017.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2017, the Board comprised of three executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Liang Junqian *(Chairman)*
Mr. Liang Juncheng *(Chief Executive Officer)*
Mr. Chan Kit Lung Andy

Independent Non-executive Directors

Mr. Wong Sui Chi
Ms. Hua Min
Ms. Xiao Ping

Corporate Governance Report (Continued)

FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE BOARD

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

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement 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 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 6 board meetings held during the period from the Listing Date to 31 December 2017.

Corporate Governance Report (Continued)

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 concern will declare his/her interest and abstains from voting.

Meetings Held and Attendance

The composition of the Board and the committees, and the individual attendance records of each Director at the Board and committees' meetings, and general meetings during the period from the Listing Date to 31 December 2017 are set out below:

	Meetings attended/Meetings held				
Name of Directors	Board meetings	Audit committee meetings	Remuneration committee meetings	Nomination committee meetings	General meetings
Executive Directors					
Mr. Liang Junqian *(Chairman)*	6/6	N/A	N/A	N/A	0/0
Mr. Liang Juncheng *(Chief Executive Officer)*	6/6	N/A	N/A	N/A	0/0
Mr. Chan Kit Lung Andy	6/6	N/A	N/A	N/A	0/0
Mr. Liang Jianheng (resigned on 2 November 2017)	3/3	N/A	N/A	N/A	0/0
Independent Non-executive Directors					
Mr. Wong Sui Chi	6/6	2/2	3/3	3/3	0/0
Ms. Hua Min	6/6	2/2	3/3	3/3	0/0
Ms. Xiao Ping	6/6	2/2	3/3	3/3	0/0

Note 1: Given the Listing Date was listed on 18 July 2017, no annual general meeting was held from the Listing Date to 31 December 2017.

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)

CHAIRMAN AND CHIEF EXECUTIVE

The roles of chairman and chief executive officer are separate and the division of their responsibilities are clearly established. Mr. Liang Junqian is the chairman of the Board who is primarily responsible for formulating overall corporate strategies. Mr. Liang Juncheng is the chief executive officer of the Company who is primarily responsible for day-to-day management of the Group.

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 period from the Listing Date to 31 December 2017, 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 *(Chairman)*	A, B
Mr. Liang Juncheng *(Chief Executive Officer)*	A, B
Mr. Chan Kit Lung Andy	A, B
Mr. Wong Sui Chi	A, B
Ms. Hua Min	A, B
Ms. Xiao Ping	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

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.hk. 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.

Corporate Governance Report (Continued)

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 judgements 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. Hua Min and Ms. Xiao Ping. Mr. Wong Sui Chi is the chairman of the audit committee. During the period from the Listing Date to 31 December 2017, two 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. Hua Min, Mr. Wong Sui Chi and Ms. Xiao Ping. Ms. Hua Min is the chairman of the remuneration committee. During the period from the Listing Date to 31 December 2017, three meetings were being held for remuneration committee.

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 Ms. Xiao Ping, Mr. Wong Sui Chi and Ms. Hua Min. Ms. Xiao Ping is the chairman of the nomination committee. During the period from the Listing Date to 31 December 2017, three meetings were being held for nomination committee.

Corporate Governance Report (Continued)

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.

The responsibility of the Company's auditor, Elite Partners CPA Limited, are set out in the section "Independent Auditor's Report" on pages 37 to 41 of this annual report.

For the year ended 31 December 2017, 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 2017 RMB'000
Audit services	416
Other services	—

Corporate Governance Report (Continued)

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 30 to 31 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;

(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;

(vi) the Group have appointed Dakin Capital Limited as its compliance adviser to advise the Group on GEM Listing Rules compliance matters; and

(vii) 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.

Corporate Governance Report (Continued)

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 2017, 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. Chan Kit Lung Andy, an executive Director, is the compliance officer of the Group. Please refer to his biographical details as set out on page 11 of this annual report.

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.

Corporate Governance Report (Continued)

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.

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.hk*.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, 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.

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

This is the first Environmental, Social and Governance ("ESG") Report presented by the Group since its public listing in 2017. This report was prepared with reference to and in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 20 of the GEM Board Listing Rules of the Stock Exchange of Hong Kong Limited.

The Group derives its revenue principally from the sale of tinplate packaging semi-finished and finished products in the PRC. The business process involves procurement of raw material such as the raw materials mainly include tinplate coils, tinplate sheets and laminated and printed tinplate sheets. Manufacturing process included cutting and assembling, and with customer mainly comprises paint and coatings suppliers and other manufacturers of packaging products. The Group owns and operates a factory located in Foshan, Guangdong Province. The production lines are equipped with a variety of machinery and equipment to cater for different stages of the production process. The major machinery and equipment for production of tinplate packaging products include cutting machine, extrusion machine, The machine, flanging machine and seaming machine.

To foster a stronger and longer relationship with the stakeholders we had, to different extent and as deemed appropriate by the Management of the Group, assessed and addressed the concerns and needs of the stakeholders. Sustainability aspects of the operation have been given due consideration by the Group. This report aims at providing a detailed account of the Group's effort, policy standing and contribution towards the Group's sustainability performance for the Financial Year ended 31 December 2017. This report has been prepared to address two subject areas, each of both addressed aspects that were considered to be relevant and material to the Group.

A. ENVIRONMENTAL

A.1 Emissions

The Group is engaged in manufacturing and sales of various tinplate components and products including tin cans and steel pails, which are generally used for storing paint and coatings. Throughout the manufacturing process the relevant emissions include noises, certain VOC when plastic was employed, and moderate amount of smoke from welding. All of which the Group endeavor to manage and control.

As a law-abiding corporation, the Group pays close attention to the current and developing laws and regulations that are deemed relevant to the Group. Management believes that, for the current financial year, the Group has complied with applicable environmental laws and regulations, specifically the applicable section of Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), Prevention and Control of Atmospheric Pollution Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) and Urban drainage and sewage treatment regulations (《城鎮排水與污水處理條例》) and the Prevention and Control of Environmental Noise Pollution of the People's Republic of China (中華人民共和國環境雜訊污染防治法).

Carbon dioxide

Majority of the machinery employed in the tinplate handling process could be considered as small to medium-sized machines, emission therefore isn't substantial. Management of the Group consider that emission from the logistics involved in the delivery of the products as the major source of greenhouse gas emission. Nevertheless, during the manufacturing process, the Group would consume electricity for lighting the manufacturing operation and powering the equipment and machinery. carbon dioxide or greenhouse gas would be indirectly produced when the Group consumes electricity. For measures to address emission from logistic refer to subsequent sections of this report.

Environmental, Social and Governance Report (Continued)

During the year ended 31 December 2017, air emission for nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and respiratory suspended particles (“RSP”, also known as Particulate Matter (“PM”)) were about 58,551 g, 139 g and 5,610 g respectively, which were mainly produced from the company vehicles.

The main source of the Group’s greenhouse gas emissions is derived from direct emission from the mobile combustion sources (“Scope 1”), indirect emission from acquired electricity emissions (“Scope 2”) and other indirect emissions from water consumption and paper usage (“Scope 3”). The total greenhouse gases emissions from Scope 1, Scope 2 and Scope 3 for the year ended 31 December 2017 were 23,978 kg, 1,208,020 kg and 15,562 kg respectively.

Waste management

Overall, the management considers that the tinplate products feature an environmentally friendly production process due to the lower Emission of VOCs during the production process compared with water-based paint and coatings (generally has low volatile organic compounds). Furthermore, Tinplate is (i) environmentally-friendly as it is naturally decomposable and therefore brings minimum pollution to the environment; and (ii) easily recyclable as it is attracted to magnet, allowing quick and easy separation from other disposables in the recycling process.

For the year ended 31 December, 2017, the Group produced hazardous waste during operation and the hazardous waste were mainly used oil of machine and waste activated carbon. The total weight of used oil of machines was 10 kg and waste activated carbon was 30 kg.

The Group would produce some non-hazardous waste such as waste raw materials, waste products and other wastes during the manufacturing process. The total non-hazardous waste includes 483 tons waste raw materials and products; one tons of waste barrels, towels and gloves. The above environmental wastes, which would pollute the land, would be disposed of by the Group to an independent qualified waste collection and disposal services provider.

Noise management

The Group considered noise pollution issues when choosing the factory area so the Group chose the operation area which is far away from the residential areas. The Group strictly follows emission standard for industrial enterprises noise at boundary《工業企業廠界噪聲標準》.

A.2 Use of resources

Energy and water consumption

The resources that the Group used consist of water consumption, electricity and raw materials. The main ingredients of the materials used contain tinplate. The management has established the following policies for the efficient use of resources during production to reduce wastes:

- optimize schedule of production for a more efficient energy consumption in the manufacturing;
- reduce the usage of raw materials; and
- reduce consumption of electricity such as limiting the usage for lights and air conditioning.

The following consumption was recorded in the year ended 31 December 2017, electricity consumption of the Group was 1,392,370 kWh and electricity consumption intensity was 0.08 per product. Water consumption of the Group were 32,928 tons and water consumption intensity was 0.0019 per product.

Environmental, Social and Governance Report (Continued)

The company tries to use the least basic packaging materials to pack the products, mainly to facilitate the transportation and maintain the product quality. The total package used were packaging rope 8,100 kg, packing tape 1,388 rolls, sealing adhesive tape 7,200 rolls, stretch film 39,000 kg and 3,000 cartons boxes.

Also, total annual output of the Group were over 17.45 million tinplate products in 2017. The Group produced about 7.5 million square tinplate products (方罐), 7 million circle tinplate products (圓罐), 2.7 million fancy tinplate products (花蘭桶) and 0.25 million spray cans (噴霧罐) for the year ended 31 December, 2017.

A.3 Environmental and natural resources

Measures in reducing environmental impact

Strategically located production facilities in a major transportation hub and in proximity to the largest customer the Foshan Factory is located at Foshan which is a major transportation hub in Guangdong Province since all the major highways in Guangdong Province have ramps within the 50 km-radius zones of Foshan. As the transportation logistics with the suppliers, the subcontractors and the customers are premised on road transport, the strategic location of the Foshan Factory generally enables us to respond quickly to the customers' requirements and facilitates the expansion of the customer base in Guangdong Province.

The production of TP products has less impact to environment compared to water-based paint and coatings products. However, for further reduction on the environmental impact and use of natural resources, the Group would continue to make assessment for better alternatives for the use of raw materials that provide similar or better qualities. Meanwhile, the Group's policy objective is to maintain the balance between operational efficiency and resource consumption. It would allow the Group to have better production without overuse of resources.

B. SOCIAL

B.1 Employment

A good workplace practice attributes from being free from discrimination and equal opportunities for all despite of age, gender, race, color, sexual orientation, disability or marital status to increase employee satisfaction. To ensure an equal and fair working environment, the Group adopts practices and policies of Labour Law of the People's Republic of China《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China《中華人民共和國勞動合同法》and other relevant laws and regulations. The Group provides equal opportunity for people and the Group welcomes people to join the Group as long as they are keen to learn and participate.

Employment contract specifies the terms including compensation and dismissal, working hours, rest periods and other benefits and welfare for staff. Staff handbook also highlights important information of policies on compensation, employee benefits, rights on termination, business conduct and leave benefits.

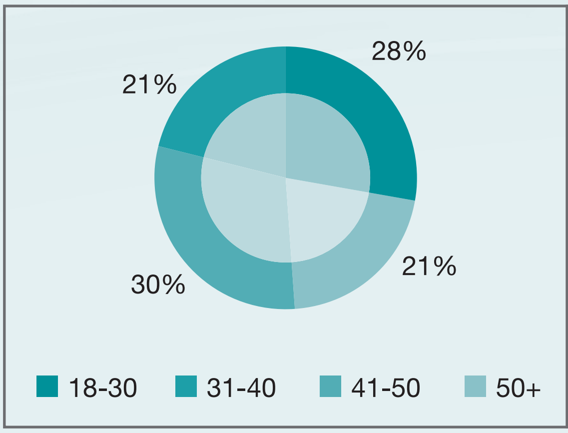
Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for the employees. In the PRC, The Group has participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance prescribed by the Social Insurance Law of the PRC (中華人民共和國社會保險法). The Group participated in the mandatory provident fund prescribed by the Mandatory Provident Fund.

Environmental, Social and Governance Report (Continued)

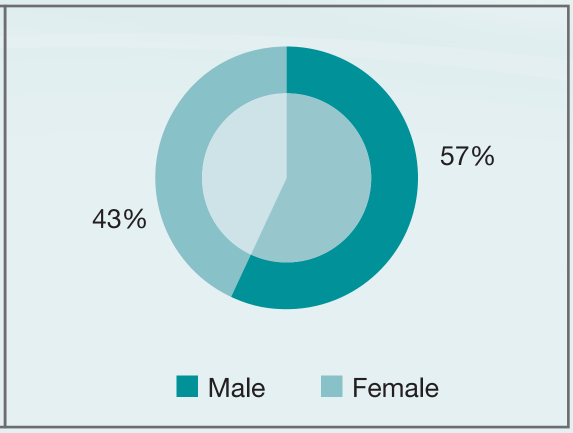
The Group has a staff handbook which sets out the responsibilities of the staff, the code of conduct for them, and safety and hygiene requirements in the production site. Social activities such as annual dinner, team building and other social events are organized for employees to participate to increase their work-life balance and enhance the relationship with employees. Accommodation and meals are also provided for the employees.

Finally, the Group has been providing more employees' welfare and benefits in a bid to retain an optimal workforce. The following charts below show the turnover of the staffs by age and by gender.

Age Profile



Gender Profile



B.2 Health and Safety

The Group provide safety education and training to employees and have in place safety guidelines and operating manuals for the production process. The Group also provide The employees with training programmes on work safety in connection with matters such as the operation of the equipment with a view to enhancing the occupational safety and to minimizing the possibility of work-related accidents and injuries such as occupational illness. The Group has established a policy in recording and handling accidents. Upon occurrence of accidents, the staff will report to the relevant sub-team head to handle the case. The relevant sub-team head will prepare a report detailing the accidents and submit to human resources department and production department to carry out investigation. Human resources department will assess the impact of the accidents and consider appropriate measures to improve occupational safety. For details of relevant laws and regulations relating to production safety.

Workplace health and safety

To provide a safe and comfortable working environment, the Group has complied with the Labour Law of the People's Republic of China《中華人民共和國勞動法》and the Law of the PRC on the Safety of Special Equipment《中華人民共和國特種設備安全法》of occupational safety and health and other applicable regulations. Workplace is equipped with fire and safety equipment to prevent outbreak of fire accident and the validity of the fire facilities have been regularly checked. During 2017 there was no record of work-related fatalities. Total lost days due to work injury was 44 days in total and the rate of work injury was 0.005 percent. The Group uses the staff handbook and policy to enhance staff awareness on safety. The staff handbook also included sufficient policies on safety and staffs are asked to follow the safety instruction.

Environmental, Social and Governance Report (Continued)

Production safety

The operation of Wancheng Shunde shall be in compliance with PRC production safety laws and regulations. The Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "Production Safety Law") provides safety standards for any production or business operation in order to reduce accidents and protect the general public security and safety of property. The Group follows the Production Safety Law, the State Administration of Work Safety (國家安全生產監督管理總局).

B.3 Development and Training

Employee development and training

The newly recruited employees are required to attend a safety training course so that they can get familiar with the safety standards which they are required to meet during the production process and the operation of the production facilities. The Group also provide regular in-house safety education and training to the employees or recommend them to attend the trainings held by outside authorities relating to the operation of production facilities, fire safety and work safety. The Group generally recruit the workforce through posting recruitment advertisements outside The Foshan Factory.

B.4 Labour Standards

Child labor and forced labor

The management would not recruit minors or forced labor for the Group's operation. Management of the Group believes that the Group comply with Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》and any individuals under legal working age and individuals without any identification documents are disqualified from employment.

B.5 Supply Chain Management

One of the over-arching principles for the selection of supplier and sub-contractors is whether these parties take a similar stance in sustainability. The raw materials mainly include tinplate coils, tinplate sheets and laminated and printed tinplate sheets. Besides, there is a standard applicable to the production of raw materials by Wancheng Shunde's suppliers, namely the recommended national standard "Cold-reduced Electrolytic Tinplate GB/T 2520-2008" (《冷軋電鍍錫鋼板及鋼帶GB/T 2520-2008》), and a standard applicable to the printing of tinplate by Wancheng Shunde's suppliers, namely the recommended industrial standard "Tinplate Prints for the Packing and Decoration QB/T1877-1993" (《包裝裝潢鍍錫(鉻)薄鋼板印刷品QB/T 1877-1993》).

Procurement department will check the existing level in stock using the computer system to avoid over purchasing and accumulation of excess inventory. The Group selects raw materials suppliers concerning factors such as quality, delivery time, after-sales service and price. For The tinplate coil suppliers, the Group will conduct site visits to their facilities to inspect their operations and also consider their corporate background, reliability, reputation and proximity to The Foshan Factory. The Group has an approved list of suppliers.

The Group mainly engage subcontractors for the production processes of tinplate printing, tinplate scroll-cutting and tinplate laminating. The Group considers that these production processes require specific skill sets, machinery and equipment. The Group selects subcontractors with reference to factors such as price, proximity to Foshan Factory, technical and manufacturing capabilities, capacity to complete orders on time, delivery reliability, ability to meet quality requirements, reputation and possession of relevant business license if required. The Group will conduct site visits to their factories to inspect their machinery and equipment.

Environmental, Social and Governance Report (Continued)

To monitor the performance of the subcontractors, the Group visit their facilities and communicate with them regularly to supervise their processing quality. The Group conducts various tests on the laminated tinplate sheets and printed tinplate sheets received from the subcontractors.

B.6 Product Responsibility

The major products are tin cans and steel pails. According to the Standardisation Law of the PRC (《中華人民共和國標準化法》) (the "Standardisation Law"), of which the Group is required to and had been in compliance with. General Specifications included:

- Transport Packages of Dangerous Goods GB 12463-2009" (《危險貨物運輸包裝通用技術條件GB 12463-2009》),
- "Packaging Containers — Tinplate Aerosol Can GB 13042-2008" (《包裝容器—鐵質氣霧罐GB 13042-2008》),
- "Packing Containers — Square Pail GB/T 17343-1998" (《包裝容器—方桶GB/T 17343-1998》),
- "Rules for the Inspection of Packaging for Export Dangerous Goods SN/T 0370.2-2009" (《出口危險貨物包裝檢驗規程SN/T 0370.2-2009》).

Product safety and quality

The Group places great emphasis on the quality of the products. The Group adopts quality control measures covering various aspects of the procurement and production operations. While certain of the tinplate packaging products are generally required under contract or by law to meet the applicable national standards (the PRC Standard GB/T 17343-1998 (in respect of certain tin cans), the PRC Standard GB/T 15170-2007 (in respect of certain steel pails), the PRC Standard GB 13042-2008 (in respect of certain aerosol cans) and the PRC Standard GB 12463-2009 (in respect of certain transport and packaging requirements), the Group also generally require the tinplate coil supplied by the suppliers to meet the applicable national standard (the PRC Standard GB/T 2520-2008), and the printed tinplate sheets and laminated tinplate sheets supplied by the subcontractors to meet applicable industrial standard (the PRC Standard QB/T 1877-1993) and the internal standard.

The production department is mainly responsible for devising production plans based on various factors, including the delivery dates and volumes of the products stipulated in customers' orders, any monthly purchase plans provided by the customers, historical sales demands, the production capacity and the inventory levels, and ensuring the smooth operation of The production lines.

The Group ensures to produce product that is safe and meet service quality through policies such as if discovered the product has quality problem, the product can be exchanged.

Environmental, Social and Governance Report (Continued)

The Group complies with various PRC regulations to the operation of the business. For the year ended 31 December 2017, the Group did not have any product returned due to safety or health problems or any complaint received from customers. Customers' data will also be kept in confidential in order to protect consumer data and privacy and be destroyed on a timely basis. Also, the Group has complied towards the Product Quality Law of the People's Republic of China《中華人民共和國產品質量法》, the Standardisation Law of the People's Republic of China《中華人民共和國標準化法》, the Regulations of the PRC on the Administration of Production License for Industrial Products《中華人民共和國工業產品生產許可證管理條例》, the Regulations on Safety Management of Hazardous Chemicals《危險化學品安全管理條例》, the Regulations of the PRC on Road Transport《中華人民共和國道路運輸條例》and The Production Safety Law of the PRC《中華人民共和國安全生產法》.

Tinplate coil is the major raw material. The Group normally require the suppliers to supply tinplate coil that meets the PRC Standard GB/T 2520-2008. The Group adopted conducts testing practices on tinplate coil in accordance with the Group's quality control manual, testing procedures include: Vickers hardness tester (鉻氏硬度計); film impact tester machine (漆膜衝擊器) testing, for PVC handles and steel handles, the Group examine the tensile strength of the handles by a tensile tester machine (拉力儀). The tin cans and steel pails are generally subject to air pressure testing under a leakage detection machine (檢漏機). Tinplate packaging products which fail such tests (e.g. cans with pinholes or with cracks) are rejected. During the Track Record Period, unsatisfactory tinplate packaging products were sold to scrap metal recycling companies which are Independent Third Parties.

B.7 Anti-Corruption

Anti-corruption and money laundering

Management of the Group does not tolerate any corruption, fraud, money laundering, bribery and extortion to take place in the course of operation. Management of the Group believe that they had comply with relevant laws and regulations such as Criminal law of the People's Republic of China《中華人民共和國刑法》and the Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國反不正當競爭法》. For the year ended 31 December 2017, such events have never happened in the Group. The Group maintains a code of business integrity and standard. A system with good moral integrity and anti-corruption mechanism is the cornerstone for the sustainable and healthy development of the Group. The Group has policies on anti-money laundering and counter-terrorist financing any suspicious transactions would be notified and reported to the relevant governing body by the responsible officer.

B.8 Community investment

Community involvement

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approach towards community involvement is as follows:

- The Group would fulfil corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work;
- Assessment will be taken on how to give business activities to the interests of community; and
- The Group is committed to provide career opportunities to the locals and promote the development of the community's economy.

Directors' Report

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2017.

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 2017, can be found in the section "Management Discussion and Analysis" as set out on pages 5 to 10 of this annual report. These discussions form part of this Directors' report.

RESULTS

The results of the Group for the year ended 31 December 2017 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 2017.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last four financial years is set out on page 86 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 2017 are set out in the consolidated statement of changes in equity on page 44 and note 33 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 2017 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 2017 in the share capital of the Company are set out in note 23 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 2017, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately RMB63.3 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the largest customer accounted for approximately 29.6% (2016: 35.7%) of the total revenue. For the year ended 31 December 2017, the percentage of revenue derived from the five largest customers in aggregate was approximately 47.5% (2016: 54%).

For the year ended 31 December 2017, the largest supplier accounted for approximately 46.1% (2016: 62.5%) of the total purchases. For the year ended 31 December 2017, the five largest suppliers in aggregate accounted for approximately 80.0% (2016: 82.7%) 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 2017.

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. One and four of the five largest customers are located in Guangdong Province and Hong Kong respectively. 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 and Hong Kong 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 2017 accounted for approximately 47.5% 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 2017 accounted for approximately 80.0% of the total purchases. Purchases from the largest supplier for the year ended 31 December 2017 accounted for approximately 46.1% 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 POLICY

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to avoid meterial environmental pollution, and ensure our compliance of prevailing environmental protection laws and regulations.

Further details were disclosed in the Environmental, Social and Governance Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the GEM. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2017, 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 2017, 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 2017 and up to the date of this report were as follows:

Executive Directors
Mr. Liang Junqian *(Chairman)*(redesignated on 2 November 2017)
Mr. Liang Juncheng *(Chief Executive Officer)*
Mr. Chan Kit Lung Andy
Mr. Liang Jianheng (resigned on 2 November 2017)

Independent Non-executive Directors
Mr. Wong Sui Chi
Ms. Hua Min
Ms. Xiao Ping

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

Directors' Report (Continued)

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company. The service contracts are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. Each of the independent non-executive Directors are appointed with an initial term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

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 27 to the consolidated financial statements, no 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 2017.

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 2017.

Directors' Report (Continued)

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.

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.

As at 31 December 2017, no share option has been granted by the Company pursuant to the Share Option Scheme.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year ended 31 December 2017, except for those disclosed in note 27 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 2017 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 2017, 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 Part XV 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 2017, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity/ Nature of interest	Number of shares held/ interested in	Approximate percentage of shareholding
Fortune Time Enterprises Limited ("Fortune Time") *(Note 1)*	Beneficial owner	277,500,000	69.38%
Mr. Liang Jianheng ("Mr. JH Liang") *(Note 1)*	Interest in a controlled corporation	277,500,000	69.38%
Mr. Liang Jianxun ("Mr. JX Liang") *(Note 1)*	Interest in a controlled corporation	277,500,000	69.38%
Ms. Liang Sharina *(Note 2)*	Interest of spouse	277,500,000	69.38%
Ms. Liang Yingjun *(Note 3)*	Interest of spouse	277,500,000	69.38%
Century Great Investments Limited ("Century Great") *(Note 4)*	Beneficial owner	22,500,000	5.63%
Mr. Law Sai Hung ("Mr. Law") *(Note 4)*	Interest in a controlled corporation	22,500,000	5.63%

Notes:

1. *Fortune Time is owned as to 50% by each of Mr. JH Liang and Mr. JX Liang. Each of Mr. JH Liang and Mr. JX Liang is deemed to be interested in the shares held by Fortune Time pursuant to the SFO.*

2. *Ms. Liang Sharina is the spouse of Mr. JH Liang and is deemed to be interested in the Shares in which Mr. JH Liang is interested in for the purpose of the SFO.*

3. *Ms. Liang Yingjun is the spouse of Mr. JX Liang and is deemed to be interested in the Shares in which Mr. JX Liang is interested in for the purpose of the SFO.*

4. *Century Great is wholly-owned by Mr. Law. Mr. Law is deemed to be interested in the shares held by Century Great pursuant to the SFO.*

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 2017.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

As at 31 December 2017, 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' Report (Continued)

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 period from the Listing Date to 31 December 2017.

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.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Dakin Capital Limited ("Dakin") as the compliance adviser. Dakin has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Except for the compliance adviser agreement entered into between the Company and Dakin dated 20 October 2017, neither Dakin nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2017.

AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2017 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 2017 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 2017 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
Liang Junqian
Chairman

Hong Kong, 21 March 2018

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

To the members of Wan Cheng Metal Packaging Company Limited
(Incorporated in 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 85, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2017, 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	
As at 31 December 2017, the Group had trade and bills receivables of approximately RMB73.5 million, which was attributable to the sales of tinplate packaging products. As discussed in note 17 to the consolidated financial statements, the general credit period of trade receivables ranged from 7 to 90 days. In determining the recoverability of trade receivables, the Group consider any significant change in credit quality of the trade receivables from the data when sales were made to customers. We identified the management's assessment of the recoverability of the trade receivables as a key audit matter because significant management judgement had to be made for the assessment, including but not limited to assessing the credit quality of customers and settlement history of customers.	Our major audit procedures to address the management's impairment assessment of trade receivable included the following: • We reviewed the ageing of trade receivables as at the financial year end and discussed with the management of the Company whether impairment should be provided, especially for those that had been past due. • We analysed the impairment focusing on any anomalies in the provisioning methodology and followed up with any anomalies, such as unusual payment terms, through discussion with management and review of customer payment history. • We tested on large individual aged trade receivables balances, discussed with the management of the Company the rationale for management's impairment decisions by reference to payment patterns during the year as well as other information available. • We assessed the recoverability of trade receivables with reference to the credit quality, settlement history and aging analysis of the debtor.

Independent Auditor's Report (Continued)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

The directors of the Company 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 AUDIT COMMITTEE 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. Audit committee 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. We report 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 HKSAs 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 HKSAs, 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, related safeguards.

From the matters communicated with those charged 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.

Independent Auditor's Report (Continued)

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy, Practising Certificate number: P05898.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 21 March 2018
10/F, 8 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Year ended 31 December	
		2017	2016
	Notes	**RMB'000**	RMB'000
Revenue	*7*	**125,691**	118,510
Cost of sales		**(99,980)**	(83,865)
Gross profit		**25,711**	34,645
Other income and gains	*7*	**3,589**	1,161
Selling expenses		**(3,018)**	(1,813)
Administrative and other expenses		**(22,762)**	(18,279)
Finance costs	*8*	**(2,655)**	(2,331)
Profit before income tax	*9*	**865**	13,383
Income tax expense	*11*	**(4,419)**	(6,039)
(Loss)/profit for the year		**(3,554)**	7,344
Other comprehensive income for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,882)**	1,056
Total comprehensive (loss)/income for the year attributable to the owners of the Company		**(5,436)**	8,400
(Loss)/earnings per share (cents)			
— Basic and diluted	*13*	**(1.03)**	2.45

Consolidated Statement of Financial Position

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**31,660**	12,068
Payments for leasehold land held for own use under operating lease	*15*	**5,973**	6,139
		37,633	18,207
Current assets			
Inventories	*16*	**20,013**	17,503
Trade and bills receivables	*17*	**73,506**	46,180
Prepayments, deposits and other receivables	*18*	**17,028**	8,610
Pledged bank deposits	*19*	**1,054**	3,193
Cash and cash equivalents		**43,103**	50,105
		154,704	125,591
Total assets		**192,337**	143,798
Current liabilities			
Trade and bills payables	*20*	**48,605**	43,902
Accruals and other payables	*21*	**8,384**	10,605
Bank borrowings	*22*	**39,000**	39,000
Income tax payable		**1,156**	2,220
		97,145	95,727
Net current assets		**57,559**	29,864
Total assets less current liabilities		**95,192**	48,071
Non-current liabilities			
Deferred tax liabilities	*11*	**2,227**	—
Net assets		**92,965**	48,071
Capital and reserve			
Share capital	*23*	**3,372**	2,505
Reserves	*24*	**89,593**	45,566
Total equity attributable to owners of the Company		**92,965**	48,071

Consolidated Statement of Changes in Equity

	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017	**2,505**	**38,089**	**3,826**	**7,200**	**3,607**	**(35,783)**	**28,627**	**48,071**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(3,554)**	**(3,554)**
Other comprehensive loss:								
Exchange difference on translating foreign operations	**—**	**—**	**—**	**—**	**(1,882)**	**—**	**—**	**(1,882)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(1,882)**	**—**	**(3,554)**	**(5,436)**
Issue of shares upon share offer	**867**	**55,767**	**—**	**—**	**—**	**—**	**—**	**56,634**
Transaction costs attributable to issue of shares upon share offer	**—**	**(6,304)**	**—**	**—**	**—**	**—**	**—**	**(6,304)**
At 31 December 2017	**3,372**	**87,552**	**3,826**	**7,200**	**1,725**	**(35,783)**	**25,073**	**92,965**
At 1 January 2016	4,811	—	3,203	7,200	2,551	—	21,906	39,671
Profit for the year	—	—	—	—	—	—	7,344	7,344
Other comprehensive loss:								
Exchange difference on translating foreign operations	—	—	—	—	1,056	—	—	1,056
Total comprehensive income for the year	—	—	—	—	1,056	—	7,344	8,400
Arising from the reorganisation	(4,811)	—	—	—	—	4,811	—	—
Issue of shares upon the reorganisation	2,505	38,089	—	—	—	(40,594)	—	—
Transfer to statutory reserve fund	—	—	623	—	—	—	(623)	—
At 31 December 2016	2,505	38,089	3,826	7,200	3,607	(35,783)	28,627	48,071

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before income tax		**865**	13,383
Adjustments for:			
Interest income from bank deposits	*7*	**(367)**	(302)
Interest expenses	*8*	**2,655**	2,331
Loss on disposal of property, plant and equipment	*9*	**9**	—
Depreciation of property, plant and equipment	*14*	**3,274**	1,585
Amortisation of payments for leasehold land held for own use under operating lease	*15*	**166**	166
Operating profit before working capital changes		**6,602**	17,163
Increase in inventories		**(2,510)**	(5,885)
(Increase)/decrease in trade and bills receivables		**(27,326)**	12,666
Increase in prepayments, deposits and other receivables		**(8,418)**	(2,115)
Increase in trade and bills payables		**4,703**	13,672
(Decrease)/increase in accruals and other payables		**(2,221)**	2,673
Cash (used in)/generated from operations		**(29,170)**	38,174
Income tax paid		**(3,166)**	(5,152)
Net cash (used in)/generated from operating activities		**(32,336)**	33,022
Cash flows from investing activities			
Purchase of property, plant and equipment	*14*	**(23,722)**	(526)
Decrease/(increase) in pledged bank deposits		**2,139**	(678)
Proceeds from disposal of property, plant and equipment		**1**	—
Bank interest received		**367**	302
Net cash used in investing activities		**(21,215)**	(902)
Cash flows from financing activities			
Proceeds from allotment and issue of ordinary shares		**56,634**	—
Expenses incurred in connection with the issue of shares		**(6,304)**	—
Interest paid		**(2,655)**	(2,331)
Increase in amount due to a director		**—**	540
Proceeds from new bank borrowings		**44,000**	39,000
Repayments of bank borrowings		**(44,000)**	(34,000)
Net cash generated from financing activities		**47,675**	3,209
Net (decrease)/increase in cash and cash equivalents		**(5,876)**	35,329
Cash and cash equivalents at beginning of year		**50,105**	13,720
Effect on exchange rate changes on cash and cash equivalents		**(1,126)**	1,056
Cash and cash equivalents at end of year		**43,103**	50,105

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 Suite 1203, 12th Floor, Shanghai Industrial Investment Building, 60 Hennessy Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively as the "Group") are principally engaged in manufacturing and sales of tinplate packaging products in the PRC.

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

As at the date of this report, 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	Country and date of incorporation/ establishment and form of business structure	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interests		Principal activities	*Notes*
			Direct	Indirect		
Able Hope Limited	The British Virgin Islands, 1 August 2014, limited liability company	US$1 and HK$5,999,994.2	100%	—	Investment holding	*(1)*
Wangchen Metal Works Company Limited	Hong Kong, 18 June 2003, limited liability company	HK$10,000	—	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, 27 June 1997, limited liability company	RMB3,000,000	—	100%	Manufacturing and sales of tinplate packaging products	*(2)*
Wan Cheng Group Limited	The British Virgin Islands, 13 Novermber 2017, limited liability company	US$1	100%	—	Investment holding	*(1)*
Wan Cheng Group (Hong Kong) Limited (萬成金屬集團有限公司)	Hong Kong, 30 November 2017, limited liability company	HK$10,000	—	100%	Dormant	

Note:

(1) No audited statutory financial statements have been prepared for these subsidiaries as it is not required to issue audited financial statements under statutory requirements of its place of incorporation.

(2) The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 were audited by 廣東新祥和會計師事務所有限公司 (Guangdong Xinxianghe Certified Public Accountants Co. Ltd.).*

** English translated names are for identification purpose only*

Notes to the Consolidated Financial Statements (Continued)

2. BASIS OF PREPARATION

Pursuant to the Reorganisation as detailed in "History, Reorganisation and Corporate Structure" to the Prospectus, in preparation for the listing of shares of the Company on the GEM of the Stock Exchange (the "Listing") and for the purpose of rationalising the Group's structure, the Company became the holding company of the Operating Companies now comprising the Group on 4 May 2016 by way of transfer of equity interests in Able Hope Limited to the Company in consideration of the Company's allotment and issue of shares to the companies held by the then shareholders of Able Hope Limited (the "Share Transfer").

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company through Able Hope Limited. The Share Transfer has no substance and does not form a business combination, and accordingly, the consolidated financial statements of the Company was combined with that of the operating subsidiaries using the predecessor carrying amounts. The Reorganisation is therefore merely a reorganisation of the Listing Business and does not constitute a business combination, as if the group structure under the Reorganisation had been in existence throughout the relevant periods or since the respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year end 31 December 2017 have been prepared using the financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the relevant periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2017 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of the Group were consolidated using the carrying value from the perspective of the ultimate controlling shareholder. All significant intra-group transactions and balances have been eliminated on consolidated.

The consolidated financial statements has been prepared in accordance with the accounting policies set out in Note 4 below, which conform to HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and applicable disclosure provisions of the GEM Listing Rules throughout the relevant periods. All HKFRSs effective for accounting period commencing from 1 January 2016 together with the relevant transitional provisions have been early adopted by the Group in the preparation of the consolidated financial statements throughout the relevant periods.

Notes to the Consolidated Financial Statements (Continued)

2. BASIS OF PREPARATION (Continued)

The consolidated financial statements has been prepared under the historical cost.

The functional currency of the Company is Hong Kong dollar ("HK$"). 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.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements are disclosed in Note 5.

3. APPLICATIONS OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSs)

In the current year, the Group has applied for the first time the following amendments to HKFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

- Amendment to HKAS 7 Disclosure Initiative;
- Amendment to HKAS 12 Recognition of Deferred Tax Assets for Unrealised losses; and
- Annual Improvements to HKFRSs, 2014–2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference.

Annual improvements to HKFRSs (2014–2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 Non-current Assets held for Sale and Discontinued operations, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 Disclosure of Interests in Other Entities.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATIONS OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSs) (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective, in the consolidated financial statements.

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014–2016 Cycle[4]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 2019*
3 *Effective for annual periods beginning on or after a date to be determined*
4 *For those amendments that will become effective for annual periods beginning on or after 1 January 2018*

None of the above new and revised HKFRSs is expected to have a significant effect on the consolidated financial statements, except as set out below:

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATIONS OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSs) (Continued)

HKFRS 15 — Revenue from Contracts with Customers (Continued)

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Based on the preliminary assessment made by the directors of the Company, it is expected that the adoption of HKFRS 15 would not have a significant impact on the Group's revenue, as compared with the current accounting policy.

HKFRS 16 — Leases

HKFRS 16 supersedes HKAS 17 "Leases", HK(IFRIC)-Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC)-Int 15 "Operating Lease — Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

Notes to the Consolidated Financial Statements (Continued)

3. APPLICATIONS OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSs) (Continued)

HKFRS 16 — Leases (Continued)

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

Based on the preliminary assessment made by the directors of the Company, it is expected that the adoption of HKFRS 16 as compared with the current accounting policy would not result in a significant impact on the Group's financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised in profit or loss during the relevant periods in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the relevant periods. The estimated useful lives are as follows:

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Payments for leasehold land held for own use under operating lease

Payments for leasehold land held for own use under operating lease are upfront payments to acquire long-term interests in lease-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.5 Inventories

Inventories are initially recognised at cost, and subsequently 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. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments

(i) Financial assets

The Group's financial assets mainly comprise loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchases or sales is purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each of the relevant periods, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments

(ii) Impairment loss on financial assets (Continued)

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial Liabilities at amortised cost

Financial liabilities at amortised cost include trade and bills payables, accruals and other payables, amount due to a director and bank borrowings. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or financial liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (Continued)

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.7 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.

4.8 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non- occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Impairment of non-financial assets

At the end of each of the relevant periods, the Group reviews the carrying amounts of following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interest in leasehold land held for own use under operating lease;
- investments in subsidiary.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately, unless the relevant asset is carried at revalued amount under another HKFRS, in which case impairment loss is treated as revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as revaluation increase under HKFRS.

Value in use is based on the estimate further cash flow expected to be derived from the asset discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risk specific to the asset or cash generating unit.

4.10 Employee benefits

(i) Defined contribution retirement plan

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of employees' salaries to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the relevant periods. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each of the relevant periods. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary item carried at fair value are included in profit or loss for period except for difference arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange difference are also recognised in other comprehensive income.

For the purpose of presenting the consolidated financial statements, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4.12 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Income taxes

Income taxes for the relevant periods comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(a) Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.

(b) Other service income is recognised when the services are rendered.

(c) Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Related parties

(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 Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(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);

(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 parent of the Group.

Close members of the family 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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

No asymmetrical allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the relevant periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the relevant periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Consolidated Financial Statements (Continued)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Impairment loss for trade, bills and other receivables

The Group estimates impairment losses of trade, bills and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 4.6(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Impairment loss for non-financial assets

The Group assesses at the end of each of the relevant periods whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4.9. The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

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.

Notes to the Consolidated Financial Statements (Continued)

6. SEGMENT INFORMATION

The Group operates in one operating segment which is the manufacturing and sales of tinplate packaging products in the PRC. The Group determines its operating segment based on information reported to executive directors of the Company who are also the chief operating decision-maker that are used to make strategic decisions. Accordingly, the Group does not present separately segment information and all of the non-current assets are located in the PRC.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC (excluding Hong Kong) as its country of domicile.

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

	2017 RMB'000	2016 RMB'000
The PRC (country of domicile)	**86,404**	118,510
Hong Kong	**39,287**	—
	125,691	118,510

Over 90% of the Group's non-current assets are principally attributable to the PRC, being the single geographical region.

Information about major customers

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Customer A	**37,173**	42,260

No other single customers contributed 10% or more to the Group's revenue for both 2017 and 2016.

Notes to the Consolidated Financial Statements (Continued)

7. REVENUE AND OTHER INCOME AND GAINS

The Group's principal activities are manufacturing and sales of tinplate packaging products. Revenue from the Group's principal activities during the year is as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Sale of goods	**125,691**	118,510
Other income and gains:		
Interest income from bank deposits	**367**	302
Sale of scrap materials	**544**	581
Doubtful debts recovered	**—**	81
Government grant*	**2,500**	—
Others	**178**	197
	3,589	1,161

* *Government grant income were granted from the local government authorities in the PRC.*

8. FINANCE COSTS

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Interest expenses on bank borrowings	**1,864**	1,834
Interest expenses on discounted bills receivables	**739**	447
Bank charges	**52**	50
	2,655	2,331

Notes to the Consolidated Financial Statements (Continued)

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Directors' emoluments *(Note 10(a))*	**811**	611
Other staff costs:		
— Wages, salaries and other benefits	**9,786**	11,260
— Contributions to defined contribution pension plans	**2,181**	2,159
Amortisation of payments for leasehold land held for own use under operating lease	**166**	166
Depreciation of property, plant and equipment	**3,274**	1,585
Auditor's remuneration	**416**	48
Listing expenses	**8,578**	8,823
Cost of inventories recognised as expenses	**95,490**	72,291
Loss on disposal of property, plant and equipment	**9**	—
Operating lease rental	**109**	—

Notes to the Consolidated Financial Statements (Continued)

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The remuneration of the Directors for the year is set out below:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to defined contribution pension plans RMB'000	Total RMB'000
Year ended 31 December 2017				
Executive directors				
Mr. Liang Jianheng *(Note (a))*	**321**	**—**	**7**	**328**
Mr. Liang Juncheng	**299**	**—**	**—**	**299**
Mr. Liang Junqian	**—**	**—**	**—**	**—**
Mr. Chan Kit Lung, Andy	**42**	**—**	**—**	**42**
Independent non-executive directors				
Mr. Wong Sui Chi *(Note (c))*	**38**	**—**	**—**	**38**
Mr. Hua Min *(Note (c))*	**52**	**—**	**—**	**52**
Mr. Xiao Ping *(Note (c))*	**52**	**—**	**—**	**52**
	804	**—**	**7**	**811**
Year ended 31 December 2016				
Executive directors				
Mr. Liang Jianheng	307	—	—	307
Mr. Liang Juncheng	—	304	—	304
Mr. Liang Junqian	—	—	—	—
Mr. Chan Kit Lung, Andy *(Note (b))*	—	—	—	—
	307	304	—	611

Note:

(a) Mr. Liang Jianheng was resigned on 2 November 2017.

(b) Mr. Chan Kit Lung, Andy was appointed as the Company's executive director on 6 May 2016.

(c) Mr. Wong Sui Chi, Ms. Hua Min and Ms. Xiao Ping were appointed as the Company's independent non- executive directors on 14 February 2017.

Notes to the Consolidated Financial Statements (Continued)

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest-paid individuals

The five highest-paid individuals of the Group included two directors for the year, whose emoluments are included in Note 10(a) above. The emoluments of in remaining three highest-paid individuals for the year are set out below:

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Salaries and allowances	**532**	629
Contributions to defined contribution pension plans	**24**	40
	556	669

Their remuneration fell within the following bands:

	Year ended 31 December	
	2017 **Numbers of individuals**	2016 Numbers of individuals
Nil to HK$1,000,000	**3**	3

No director or any of the highest-paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the Directors or any of the highest-paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

11. INCOME TAX EXPENSE

The income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Current income tax		
Provision for the year — PRC	**2,102**	6,039
Deferred tax		
In respect of the current year	**2,317**	—
Income tax expense	**4,419**	6,039

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.

No Hong Kong profit tax was provided as the Group has no estimated assessable profit derived for both years.

Provision for the Enterprise Income Tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

The income tax expense can be reconciled to the accounting profit at applicable tax rate as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Profit before income tax expense	**865**	13,383
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	**216**	3,346
Effect of different tax rates of foreign operations	**—**	81
Tax effect of non-deductible expenses	**3,799**	2,612
Tax effect of unrecognised tax losses	**404**	—
Income tax expense	**4,419**	6,039

Notes to the Consolidated Financial Statements (Continued)

11. INCOME TAX EXPENSE (Continued)

	Depreciation allowance in excess of the accounting depreciation RMB'000
Deferred tax arising from:	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Charged to profit and loss	2,317
Exchange realignment	(90)
As at 31 December 2017	**2,227**
Presented in the consolidated statement of financial position as:	
— Deferred tax liabilities	2,227

12. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

13. (LOSS)/EARNINGS 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 RMB3,554,000 and the weighted average of 345,753,425 shares in issue during the year.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 December 2017 includes the weighted average effect of 100,000,000 shares issued upon the share offer of the Company's shares on 18 July 2017.

The Group's earnings for the year ended 31 December 2016 attributable to owners of the Company was approximately RMB7,344,000. The weighted average number of ordinary shares in issue during the year ended 31 December 2016 represents 300,000,000 ordinary shares in issue before the listing as if such shares were issued during the year ended 31 December 2016 after taking into account the capitalisation issue pursuant to reorganisation as stated in note 2.

Diluted earnings per share were same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the year ended 31 December 2017.

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	Total RMB'000
Cost					
At 1 January 2016	14,909	20,491	689	252	36,341
Additions	—	497	29	—	526
At 31 December 2016	14,909	20,988	718	252	36,867
Additions	—	21,775	1,947	—	23,722
Disposals	—	—	—	(28)	(28)
Exchange realignment	—	(838)	(73)	—	(911)
At 31 December 2017	14,909	41,925	2,592	224	59,650
Accumulated depreciation					
and impairment	—	—	—	—	—
At 1 January 2016	8,051	14,423	573	167	23,214
Provided for the year	671	887	13	14	1,585
At 31 December 2016	8,722	15,310	586	181	24,799
Provided for the year	671	2,524	67	12	3,274
Written back on disposal	—	—	—	(17)	(17)
Exchange realignment	—	(64)	(2)	—	(66)
At 31 December 2017	9,393	17,770	651	176	27,990
Net carrying value					
At 31 December 2017	**5,516**	**24,155**	**1,941**	**48**	**31,660**
At 31 December 2016	6,187	5,678	132	71	12,068

Notes to the Consolidated Financial Statements (Continued)

15. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	RMB'000
Cost	
At 31 December 2016, at 1 January 2017 and 31 December 2017	8,296
Amortisation	
At 1 January 2016	1,991
Amortisation	166
At 31 December 2016 and 1 January 2017	2,157
Amortisation	166
At 31 December 2017	2,323
Net carrying amount	
At 31 December 2017	**5,973**
At 31 December 2016	6,139

The Group's interest in leasehold land is located in the PRC. The lease period of interest in leasehold land is 50 years. As at 31 December 2017, the remaining lease periods of the Group's interests in leasehold land were 34.9 years (2016: 35.9 years) respectively.

At 31 December 2017 and 2016, the leasehold land was pledged as security for the Group's bank borrowings (Note 22) and bills payables (Note 20).

16. INVENTORIES

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Raw materials	**17,289**	15,744
Work-in-progress	**1,007**	582
Finished goods	**1,717**	1,177
	20,013	17,503

Notes to the Consolidated Financial Statements (Continued)

17. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables	**72,794**	45,327
Bills receivables	**712**	853
	73,506	46,180

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 7 to 90 days (2016: 7 to 90 days) and the settlement period of bills receivables ranged from 30 to 120 days (2016: 30 to 120 days).

(a) Ageing analysis

An ageing analysis of the Group's trade and bills receivables, net of impairment, and based on invoice date, is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 month	**19,971**	11,732
More than 1 month but not more than 3 months	**35,195**	21,172
More than 3 months but not more than 6 months	**10,492**	9,044
More than 6 months but not more than 1 year	**5,512**	4,148
More than 1 year	**2,336**	84
	73,506	46,180

Notes to the Consolidated Financial Statements (Continued)

17. TRADE AND BILLS RECEIVABLES (Continued)

(a) Ageing analysis (Continued)

An ageing analysis of the Group's trade and bills receivables that are not impaired is as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**49,418**	24,054
Not more than 3 months past due	**11,792**	13,681
More than 3 months but less than 6 months past due	**6,854**	6,078
More than 6 months but less than 12 months past due	**3,106**	2,283
Over 1 year due	**2,336**	84
	73,506	46,180

Trade and bills receivables that were neither past due nor impaired relate to certain customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balance as there has not been a significant change in credit quality and balance are still considered fully recoverable.

(b) Impairment of trade and bills receivables

The Group reviews receivables for evidence of impairment on both individual and collective basis. Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

Notes to the Consolidated Financial Statements (Continued)

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Prepayments	**7,235**	6,856
Deposits	**—**	3
Other receivables	**9,793**	1,751
	17,028	8,610

The balances of other receivables are unsecured, interest-free and with no fixed repayment terms. The Group's other receivables were neither past due nor impaired as at 31 December 2017.

19. PLEDGED BANK DEPOSITS

At 31 December 2017 and 2016, pledged bank deposits were denominated in RMB and pledged as collateral for the issuance of bills payables (Note 20). The pledged bank deposits carry interest at 0.35% per annum (2016: 0.35%).

20. TRADE AND BILLS PAYABLES

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Trade payables	**45,093**	33,258
Bills payables	**3,512**	10,644
	48,605	43,902

Notes to the Consolidated Financial Statements (Continued)

20. TRADE AND BILLS PAYABLES (Continued)

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

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Within 1 month	**17,410**	10,631
More than 1 month but not more than 3 months	**20,948**	24,200
More than 3 months but not more than 6 months	**6,248**	4,901
More than 6 months but not more than 1 year	**1,940**	1,733
Over 1 year	**2,059**	2,437
	48,605	43,902

(a) Pledge of buildings (Note 14) held by the Group with net carrying amount of RMB5,516,000 and RMB6,187,000 as at 31 December 2017 and 31 December 2016 respectively;

(b) Pledge of payments for leasehold land held for own use under operating lease (Note 15) by the Group with net carrying amount of RMB5,973,000 and RMB6,139,000 as at 31 December 2017 and 31 December 2016 respectively; and

(c) Pledged bank deposits (Note 19) of RMB1,054,000 and RMB3,193,000 as at 31 December 2017 and 31 December 2016 respectively.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2017 and 31 December 2016 is amounted to RMB6,000,000 and RMB8,206,000 respectively.

21. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Other payables	**4,458**	2,129
Other tax payables	**362**	385
Accruals	**3,564**	8,091
	8,384	10,605

Notes to the Consolidated Financial Statements (Continued)

22. BANK BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Current:		
Secured interest-bearing bank borrowings:		
Repayable on demand or within one year	**39,000**	39,000

Bank borrowings bear interest at floating interest rates. The effective interest rates of bank borrowings is 5.5% per annum for the year ended 31 December 2017 (2016: 4.79%) respectively.

The bank borrowings and other banking facilities are secured by:

(a) Pledge of buildings (Note 14) held by the Group with net carrying amount of RMB5,516,000 and RMB6,187,000 as at 31 December 2017 and 2016 respectively; and

(b) Pledge of payments for leasehold land held for own use under operating lease (Note 15) by the Group with net carrying amount of RMB5,973,000 and RMB6,139,000 as at 31 December 2017 and 2016 respectively.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2017 and 2016 amounted to RMB25,000,000 and RMB1,000,000 respectively.

Notes to the Consolidated Financial Statements (Continued)

23. SHARE CAPITAL

	Number	Amount RMB'000
Authorised:		
Ordinary shares of HK$0.01 each Upon incorporation *(note (a))*	10,000,000	83,490
At 31 December 2017	**10,000,000**	**83,490**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
Upon incorporation *(note (a))*	1	—
Issue of shares upon the Reorganisation *(note (b))*	299,999,999	2,505
At 31 December 2016 and 1 January 2017	300,000,000	2,505
Issuance of ordinary shares pursuant to the Placing *(note (c))*	100,000,000	867
At 31 December 2017	**400,000,000**	**3,372**

Notes:

(a) The Company was incorporated in the Cayman Islands on 21 April 2016 with an authorised share capital of HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each of which one ordinary share was allotted and issued at par value.

(b) On 4 May 2016, the then shareholders of Able Hope Limited transferred their equity interests in Able Hope Limited to the Company in consideration of the Company's allotment and issue of 299,999,999 shares to the companies held by the then shareholders of Able Hope Limited. On 4 May 2016, the Reorganisation was completed, therefore, the share capital presented as at 31 December 2016 represented the paid up capital of the Company.

(c) The Shares of the Company were listed on GEM on 18 July 2017. On the same date, 50,000,000 of the Company's shares were issued under the public offering at an offer price of HK$0.65, 50,000,000 shares of the Company were issued at a placing price of HK$0.65 per share. Since then, the share capital represented 400,000,000 shares of the Company at HK$0.01 each.

Notes to the Consolidated Financial Statements (Continued)

24. RESERVE

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

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	Description and purpose
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.
Statutory reserve fund	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.
	The statutory reserve fund shall only be used to make good previous years' losses, to expand its production operations, or to increase its capital.
Capital reserve	The amount paid by the shareholders for capital injection.
	During the year ended 31 December 2014, a 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.
Other reserve	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.
Exchange reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Retained earnings	Cumulative net gains and losses recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

25. 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 our Group to attract, retain and motivate talented Participants (as defined below), to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our 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 of the Company (including executive directors, non-executive director and independent non-executive directors of the Company) 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.

Without prior separate approval from the Company's shareholders, 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 10% 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 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 nonexecutive 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 HK$5 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)

25. 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 HK$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

No share options were granted, lapsed, exercised or expired under the Share Option Scheme during the years ended 31 December 2017 and 2016. There were 40,000,000 (2016: Nil) shares, representing approximately 10% (2016: Nil) of total issued share capital of the Company, available for issue under the Share Option Scheme as at the date of this Annual Report.

26. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating lease payable by the Group in respect of certain properties rented by the Group:

	2017 RMB'000	2016 RMB'000
Within 1 year	**252**	—
After 1 year but within 5 years	**126**	—
	378	—

27. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 10(a) to the consolidated financial statements, is as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Directors' fees	**804**	307
Salaries, allowances and benefits in kind	**505**	1,002
Contributions to defined contribution pension plans	**19**	48
	1,328	1,357

Notes to the Consolidated Financial Statements (Continued)

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables	**73,506**	46,180
Deposits and other receivables	**9,793**	1,754
Pledged bank deposits	**1,054**	3,193
Cash and cash equivalents	**43,103**	50,105
	127,456	101,232
Financial liabilities		
Measured at amortised cost:		
Trade and bills payables	**48,605**	43,902
Accruals and other payables	**8,384**	10,605
Bank borrowings	**39,000**	39,000
	95,989	93,507

29. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, foreign currency risk and interest rate risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables, other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade receivables and other receivables, individual credit evaluations are performed on customers. These evaluations focus on their past history of making payments when due and current ability to pay, and take into account information specific to them as well as pertaining to the economic environment in which the customers operate. Trade receivables are normally due within 90 days. Normally, the Group does not obtain collateral from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. In addition, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics for trade receivables and other receivables. The Group has concentration of credit risk with bills receivables from trade issued by bank. The credit risk on the bills receivables is limited because the counterparties are mainly banks with high credit-rating or with good reputation. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the Consolidated Financial Statements (Continued)

29. FINANCIAL RISK MANAGEMENT (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 (including interest payment computed using contractual rates or, if floating, based on the current rates at the reporting date) and the earliest date the Group may be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
At 31 December 2017			
Trade and bills payables	**48,605**	**48,605**	**48,605**
Accruals and other payables	**8,384**	**8,384**	**8,384**
Bank borrowings	**39,000**	**41,109**	**41,109**
	95,989	**98,098**	**98,098**
At 31 December 2016			
Trade and bills payables	43,902	43,902	43,902
Accruals and other payables	10,605	10,605	10,605
Bank borrowings	39,000	40,337	40,337
	93,507	94,844	94,844

Notes to the Consolidated Financial Statements (Continued)

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign currency risk

If exchange rates of the RMB against the HK$ had been 5% weaker and all other variables were held constant, the effect on (loss)/profit after taxation is as follows:

	2017 RMB'000	2016 RMB'000
Increase in loss/Decrease in profit after taxation	**1,502**	–

There would be an equal and opposite impact on the (loss)/profit after taxation where the RMB strengthens against the HK$.

In the directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(d) Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank deposits, pledged bank deposits and interest-bearing bank 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 financial instruments:

	As at 31 December			
	2017		2016	
	Effective interest rate per annum	RMB'000	Effective interest rate per annum	RMB'000
Fixed-rate bank deposits	**0.3%**	**9**	1.43%	4,013
Floating-rate pledged bank deposits	**0.35%**	**1,054**	0.35%	3,193
Floating-rate bank deposits	**0.35%**	**43,092**	0.35%	46,077
		44,155		53,283
Floating-rate bank borrowings	**5.5%**	**39,000**	4.79%	39,000

Sensitivity analysis

At the respective end of 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 profit for the year by approximately RMB2,000 (2016: RMB107,000).

Notes to the Consolidated Financial Statements (Continued)

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk (Continued)

Sensitivity analysis (Continued)

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 deposits, pledged bank deposits and interest-bearing bank 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 have been followed by the Group consistently throughout the relevant periods.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are approximate to fair values.

31. TRANSFERRED 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 RMB16,865,000 and RMB17,471,000 as at 31 December 2017 and 2016, respectively. The Derecognised Bills had maturity dates of less than six months at the end of each of the relevant 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 reporting period, the Group has not recognised any gain or loss on the transfer of the Derecognised Bills. 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.

32. CAPITAL 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 new shares. 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.

Notes to the Consolidated Financial Statements (Continued)

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Non-current asset		
Property, plant and equipment	**1,094**	—
Investment in a subsidiary	**40,594**	40,594
	41,688	40,594
Current asset		
Amount due from subsidiaries	**22,724**	—
Cash and bank	**443**	—
	23,167	—
Total assets	**64,855**	40,594
Crrent liabilities		
Amount due to directors	**401**	—
Accruals and other payables	**1,464**	—
	1,865	—
Net current assets	**21,302**	40,594
Net assets	**62,990**	40,594
Capitial and reserve		
Share capital *(Note)*	**3,372**	2,505
Reserve *(Note)*	**59,618**	38,089
Total equity attributable to owners of the company	**62,990**	40,594

Notes to the Consolidated Financial Statements (Continued)

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Upon incorporation	—	—	—	—	—
Issue of share upon reorganisation	2,505	38,089	—	—	40,594
At 31 December 2016 and 1 January 2017	2,505	38,089	—	—	40,594
Loss for the year	—	—	—	(27,664)	(27,664)
Other comprehensive loss for the year	—	—	(270)	—	(270)
Loss and total comprehensive loss for the year	—	—	(270)	(27,664)	(27,934)
Issue of shares upon share offer, net of listing expenses	867	49,463	—	—	50,330
At 31 December 2017	**3,372**	**87,552**	**(270)**	**(27,664)**	**62,990**

Financial Summary

	At 31 December			
	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
Revenue	**125,691**	118,510	114,566	100,458
Profit before income tax	**865**	13,383	10,503	10,741
Income tax expenses	**(4,419)**	(6,039)	(4,578)	(2,768)
(Loss)/Profit for the year	**(3,554)**	7,344	5,925	7,973
ASSETS AND LIABILITIES				
Total assets	**192,337**	143,798	113,166	88,351
Total liabilities	**(99,372)**	(95,727)	(73,495)	(54,810)
Net assets	**92,965**	48,071	39,671	33,541
Total equity attributable to the owners of the company	**92,965**	48,071	39,671	33,541