



偉俊生物科技有限公司
Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0660)

2022/23
Interim Report

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CORPORATE INFORMATION

As at 28 February 2023

BOARD OF DIRECTORS

Executive Director

Chan Cheuk Ho

Independent Non-Executive Directors

Hong Ting

Wan Bo

Hung Hoi Ming Raymond

AUTHORISED REPRESENTATIVES

Chan Cheuk Ho

Fenn David

COMPANY SECRETARY

Fenn David

AUDIT COMMITTEE

Hong Ting (*Chairman*)

Wan Bo

Hung Hoi Ming Raymond

REMUNERATION COMMITTEE

Hong Ting (*Chairman*)

Chan Cheuk Ho

Wan Bo

Hung Hoi Ming Raymond

NOMINATION COMMITTEE

Wan Bo (*Chairman*)

Chan Cheuk Ho

Hong Ting

Hung Hoi Ming Raymond

REGISTERED OFFICE

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

HEAD OFFICE AND

PRINCIPAL PLACE OF

BUSINESS IN HONG KONG

13/F., Admiralty Centre, Tower 2

18 Harcourt Road

Admiralty

Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

23rd Floor, Tower 2

Enterprise Square Five

38 Wang Chiu Road

Kowloon Bay

Kowloon

SHARE REGISTRAR IN HONG KONG

Union Registrars Limited

Room 3301-04, 33/F

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

660

COMPANY WEBSITE

<http://www.0660.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Performance

For the six months ended 31 December 2022, Wai Chun Bio-Technology Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded a revenue of approximately HK\$405,080,000 (six months ended 30 June 2021: approximately HK\$287,873,000), representing an increase of 40.7% as compared with that of for the six months ended 30 June 2021. The increase in revenue was contributed by the increase in selling price and increase in number of customers. The Group recorded a gross profit and gross profit margin of approximately HK\$26,691,000 and 6.6% respectively for the six months ended 31 December 2022, representing a decrease of approximately HK\$2,053,000 and a decrease of 3.4% respectively as compared with the gross profit of approximately HK\$28,744,000 and gross profit margin of 10.0% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly because the unit price of raw materials has risen more than the unit price of sale.

Administrative expenses decreased by 24.3% from approximately HK\$13,960,000 for the six months ended 30 June 2021 to approximately HK\$10,566,000 for the six months ended 31 December 2022. The decrease in administrative expenses was mainly because of the tighter cost control measures of the Group and the decrease in staff costs in Hong Kong. Selling expenses recorded an increase of 15.7% from approximately HK\$6,423,000 for the six months ended 30 June 2021 to approximately HK\$7,428,000 for the six months ended 31 December 2022.

Loss attributable to owners of the Company amounting to approximately HK\$7,831,000 for the six months ended 31 December 2022 as compared with the loss attributable to owners of the Company amounting to approximately HK\$4,474,000 for the six months ended 30 June 2021. The increase in loss attributable to owners of the Company was mainly due to recognition of impairment losses on trade receivables during the period under review.

Financial Resources and Position

As at 31 December 2022, the Group had net current liabilities of approximately HK\$90,173,000 (30 June 2022: approximately HK\$25,489,000) and cash and cash equivalents of approximately HK\$17,747,000 (30 June 2022: approximately HK\$7,520,000).

As at 31 December 2022, the current ratio of the Group was approximately 0.7 times (30 June 2022: approximately 0.9 times). The net debts (net of cash and cash equivalents) to total assets ratio of the Group was approximately 49.1% (30 June 2022: approximately 57.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 31 December 2022, the Group financed its operations mainly by internally generated resources, loans from the ultimate holdings company and borrowings. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The Group conducted its business transactions principally in Renminbi and United States dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchanges rates.

CONVERTIBLE BONDS, BORROWINGS AND LOANS FROM THE ULTIMATE HOLDING COMPANY

An analysis of the maturity of convertible bonds is set out below.

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Within one year	56,643	–
Over one year but less than two years	–	52,293
Over two years but less than five years	14,562	13,357
	71,205	65,650

As at 31 December 2022 and 30 June 2022, the carrying amounts of the convertible bonds were denominated in Hong Kong dollars and bearing coupon interest at 2% per annum. As at 31 December 2022 and 30 June 2022, the effective interest rates of the convertible bonds were in the range from 20.25% to 22.48% per annum.

As at 31 December 2022, included in the carrying amount of borrowings, approximately HK\$59,467,000 (30 June 2022: HK\$61,495,000) was secured bank loans. Such secured bank loans are secured by the pledge of the Group's certain right-of-use assets, denominated in Renminbi, bearing interest at floating interest rate and repayable within one year.

As at 31 December 2022, included in the carrying amount of borrowings, approximately HK\$11,327,000 (30 June 2022: HK\$11,713,000) was secured bank loans. Such secured bank loans are secured by the pledge of the Group's certain trade receivables (see note 9 to the unaudited condensed consolidated financial statements), denominated in Renminbi, non-interest bearing and repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2022, included in the carrying amount of borrowings, approximately HK\$13,276,000 (30 June 2022: HK\$6,081,000) was loan from Mr. Lam, the ultimate controlling party of the Company. The amount is unsecured, denominated in Hong Kong dollars, bearing interest at an interest rate of 6.25% per annum and repayable on demand.

As at 30 June 2022, included in the carrying amount of borrowings, approximately HK\$4,233,000 (31 December 2022: Nil) was loans from independent third parties. The amount was unsecured, denominated in Hong Kong dollars, bearing interest at an interest rate of 6.25% per annum and repayable on demand.

As at 31 December 2022, approximately HK\$1,536,000 (30 June 2022: HK\$825,000) was loans from the ultimate holding company. The amount is unsecured, denominated in Hong Kong dollars, bearing interest at an interest rate of 6.25% per annum and repayable on demand.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group continued to engage in the manufacturing and sale of modified starch and other biochemical products.

During the period under review, the business of manufacturing and sales of modified starch and biochemical products recorded segment profit of approximately HK\$8,067,000 (six months ended 30 June 2021: segment profit of approximately HK\$15,801,000).

The Group will continue to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the PRC market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has been in discussions with various parties for such acquisitions or investments.

In order to ensure the Group's financial ability to operate as a going concern, the directors of the Company (the "Directors") have been implementing various measures including the provision of loan facilities by the ultimate holding company, conducting negotiation with potential investors to raise sufficient funds; and will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

Certain of the Group's right-of-use assets and certain of the Group's trade receivables were pledged to secure certain bank borrowings granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2022.

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures, which would have been required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), for the six months ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the capital expenditure on property, plant and equipment as may be required by the Group's business operations, as at 30 September 2022, the Group did not have any plans for material investments and capital assets. Such capital expenditure will generally be funded by internal generated cash flows and borrowings.

INTERIM DIVIDEND

The board of Directors (the "Board") resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2022 (six months ended 30 June 2021: Nil).

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

As at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions) which they are taken or deemed to have taken under such provisions of the SFO and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2022, so far as was known to the Directors or chief executive of the Company, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the shares of the Company (the "Shares")

Name of shareholder	Capacity/nature of interest	Number of Shares/underlying Shares held	Approximate percentage of the number issued Shares
Mr. Lam Ching Kui (Note 1)	Beneficial owner	1,368,004,000	81.39%
	Interest of controlled corporation	1,231,502,432	73.27%
Wai Chun Investment Fund (Note 1)	Interest of controlled corporation	1,231,502,432	73.27%
Chinese Success (Note 1)	Beneficial owner	1,231,502,432	73.27%
Onward Global Investments Limited ("Onward Global") (Note 2)	Beneficial owner	128,635,000	7.90%
Wan Yuzhen (Note 2)	Beneficial owner	2,421,000	0.14%
	Interest of controlled corporation	128,635,000	7.90%

OTHER INFORMATION

Name of shareholder	Capacity/nature of interest	Number of Shares/underlying Shares held	Approximate percentage of the number issued Shares
Fair Concourse Limited ("Fair Concourse") (Note 3)	Beneficial owner	141,270,400	8.41%
Mai Xiu Qun (Note 3)	Interest of controlled corporation	141,270,400	8.41%
South Bright Holdings Limited ("South Bright") (Note 4)	Beneficial owner	101,723,370	6.05%
Wan Qian Yi (Note 4)	Interest of controlled corporation	101,723,370	6.05%
Chen Guanyu (Note 5)	Beneficial owner	25,730,685	1.53%
	Interest of controlled corporation	82,246,000	4.89%
Spring Garden Investments Limited ("Spring Garden") (Note 5)	Beneficial owner	82,246,000	4.89%

Notes:

- (1) As at 31 December 2022, Mr. Lam Ching Kui directly holds 28,004,000 Shares and the 2% coupon convertible bonds in the principal amount of HK\$67,000,000 under which 1,340,000,000 Shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.

As at 31 December 2022, Mr. Lam Ching Kui is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 811,502,432 Shares held by Chinese Success. Wai Chun Investment Fund is the sole shareholder of Chinese Success, which directly holds 811,502,432 Shares and is the holder of 2% coupon convertible bonds in the principal amount of HK\$21,000,000 under which 420,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.

OTHER INFORMATION

- (2) As at 31 December 2022, 128,635,000 Shares were held by Onward Global which is wholly owned by Wan Yuzhen. For the purpose of the SFO, Wan Yuzhen is deemed to be interested in these 128,635,000 Shares held by Onward Global. Wan Yuzhen also directly holds 2,421,000 Shares.
- (3) As at 31 December 2022, 141,270,400 Shares were held by Fair Concourse which is wholly owned by Mai Xiu Qun. For the purpose of the SFO, Mai Xiu Qun is deemed to be interested in these 141,270,400 Shares held by Fair Concourse.
- (4) As at 31 December 2022, 101,723,370 Shares were held by South Bright which is wholly owned by Wan Qian Yi. For the purpose of the SFO, Wan Qian Yi is deemed to be interested in these 101,723,370 Shares held by South Bright.
- (5) As at 31 December 2022, 82,246,000 Shares were held by Spring Garden which is wholly owned by Chen Guanyu. For the purpose of the SFO, Chen Guanyu is deemed to be interested in these 82,246,000 Shares held by Spring Garden. Chen Guanyu also directly holds 25,730,685 Shares.

As at 31 December 2022, Chen Guanyu has 16,270,685 share options under the share option scheme of the Company, representing approximately 0.97% of the existing issued share capital of the Company. The exercise period of the option is 5 years from the date of grant of the options, i.e., from 16 July 2018 to 15 July 2023.

SHARE OPTION SCHEME

Pursuant to a share option scheme adopted by the shareholders of the Company on 22 July 2015 (the "Share Option Scheme"), the Company may, at their discretion, invite executive or non-executive director, employee (whether full-time or part-time), chief executive, substantial shareholder, consultant, professional and other adviser to take up options.

The subscription price of the Share Option Scheme will be determined at 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 an option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share.

OTHER INFORMATION

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date. Besides, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group in issue shall not exceed 30% of the relevant class of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue.

Options granted under the Share Option Scheme must be taken up within 30 days of the grant upon payment of HK\$1.00 per grant.

As at 1 July 2022 and 31 December 2022, the number of shares options available for grant under the Share Option Scheme was 69,963,946.

Movements of the Company's share options held by consultants and an employee during the six months ended 31 December 2022 are set out below:

Category of participants	As at				As at 31 December 2022	Date of grant	Exercise period	Exercise price HK\$
	1 July 2022	Granted	Exercised	Expired				
Consultants	73,312,222	-	-	-	73,312,222	16 July 2018	16 July 2018 to 15 July 2023	0.720
Employee	16,270,685	-	-	-	16,270,685	16 July 2018	16 July 2018 to 15 July 2023	0.720
Exercisable at end of year/ period	89,582,907	-	-	-	89,582,907			

On 16 July 2018 the Company granted a total of 89,582,907 share options under the Share Option Scheme to consultants and an employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 16 July 2018 to 15 July 2023. The options will entitle the grantees to subscribe for a total of 89,582,907 new shares of HK\$0.025 each at an exercise price of HK\$0.720 per share. The closing price of the Company's shares immediately before the date on which the share options were granted was HK\$0.70.

OTHER INFORMATION

The fair value of the share options determined at 16 July 2018 (being the date of grant) was approximately HK\$39,864,000 which was calculated by independent valuer using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Grant date	16 July 2018
Exercise price (HK\$)	0.720
Share price at the date of grant (HK\$)	0.720
Dividend yield (%)	–
Expected volatility (%)	90.196
Risk-free interest rate (%)	2.094
Expected life of options (years)	5

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

EMPLOYEES

As at 31 December 2022, the Group had a total of 142 (30 June 2022: 156) employees. The majority of the Group's employees are situated in the PRC. The staff costs (including directors' emoluments) for the six months ended 31 December 2022 was approximately HK\$8,920,000 (for the six months ended 30 June 2021: HK\$8,046,000). In addition to offering competitive remuneration packages to employees, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced lifestyle and provides a good working environment for its employees to maximise their potential and contribution to the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 31 December 2022 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code during the six months ended 31 December 2022.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 31 December 2022, the Company has complied with the relevant code provisions set out in the CG Code except for the deviation from code provision C.2.1, which is explained below.

Code provision C.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company did not separate the roles of the chairman and chief executive officer during the period under review. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company until his resignation of all positions in the Group with effect from 18 July 2022. Mr. Lam Ching Kui has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The balance of power and authorities are ensured by the operation of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company, since the date of the Company's annual report for the eighteen months ended 30 June 2022 are set out below:

Mr. Wan Bo was appointed as an independent non-executive director of Wai Chun Group Holdings Limited, a company listed on the Stock Exchange, with effect from 21 November 2022.

Mr. Hung Hoi Ming Raymond was appointed as an independent non-executive director of the Company, and a member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 9 January 2023.

Ms. Hong Ting (i) was appointed as an independent non-executive director of Yun Lee Marine Group Holdings Limited, a company listed on the Stock Exchange, with effect from 9 January 2023; and (ii) resigned as non-executive director of Alco Holdings Limited, a company listed on the Stock Exchange, with effect from 27 January 2023.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system (including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget) and the internal control procedures.

The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Hong Ting, Mr. Wan Bo and Mr. Hung Hoi Ming Raymond. The Audit Committee has reviewed the unaudited interim financial results of the Group and interim report of the Company for the six months ended 31 December 2022.

On behalf of the Board
Wai Chun Bio-Technology Limited
Chan Cheuk Ho
Executive Director

Hong Kong, 28 February 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2022

	Note	Six months ended	
		31 December 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Revenue	4	405,080	287,873
Cost of sales		(378,389)	(259,129)
Gross profit		26,691	28,744
Other revenue and other gains and losses, net		79	(320)
Selling expenses		(7,428)	(6,423)
Administrative expenses		(10,566)	(13,960)
(Impairment losses) reversal of impairment losses on trade and other receivables, net		(4,131)	1,106
Finance costs		(8,424)	(6,284)
(Loss) profit before tax		(3,779)	2,863
Income tax expense	5	(1,529)	(1,072)
(Loss) profit for the period	6	(5,308)	1,791
(Loss) profit for the period attributable to:			
– Owners of the Company		(7,831)	(4,474)
– Non-controlling interests		2,523	6,265
		(5,308)	1,791
Loss per share	8	HK cents	HK cents
– Basic and diluted		(0.47)	(0.27)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

	Six months ended	
	31 December 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
(Loss) profit for the period	(5,308)	1,791
Other comprehensive (expense) income: <i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(2,902)	1,097
Other comprehensive (expense) income, net of tax	(2,902)	1,097
Total comprehensive (expense) income for the period	(8,210)	2,888
Total comprehensive (expense) income for the period attributable to:		
- Owners of the Company	(9,311)	(3,914)
- Non-controlling interests	1,101	6,802
	(8,210)	2,888

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		31 December 2022	30 June 2022
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		75,087	67,110
Right-of-use assets		27,475	30,066
		102,562	97,176
Current assets			
Inventories		84,312	60,349
Trade receivables	9	29,514	48,486
Deposits, prepayments and other receivables		49,149	36,421
Bank balances and cash		17,747	7,520
		180,722	152,776
Current liabilities			
Trade payables	10	51,885	44,393
Accruals and other payables		49,358	29,479
Contract liabilities		24,685	17,287
Borrowings		84,070	83,522
Convertible bonds		56,643	–
Tax payable		2,718	1,475
Lease liabilities		–	1,284
Loans from the ultimate holding company		1,536	825
		270,895	178,265
Net current liabilities		(90,173)	(25,489)
Total assets less current liabilities		12,389	71,687

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Non-current liability		
Convertible bonds	<u>14,562</u>	65,650
Net (liabilities) assets	<u>(2,173)</u>	6,037
Capital and reserves		
Share capital	42,019	42,019
Reserves	<u>(89,055)</u>	<u>(79,744)</u>
Capital deficiency attributable to owners of the Company	(47,036)	(37,725)
Non-controlling interests	<u>44,863</u>	<u>43,762</u>
Total (deficit) equity	<u>(2,173)</u>	6,037

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

	Attributable to owners of the Company											
	Share capital HK\$'000	Convertible preference shares	Share premium HK\$'000	Other reserve (Note)	Convertible bonds reserve	Share option reserve	Translation reserve	Statutory reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity HK\$'000
		HK\$'000		HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000			
At 1 July 2022 (audited)	42,019	-	209,982	6,906	31,309	39,864	1,645	8,989	(378,439)	(37,725)	43,762	6,037
(Loss) profit for the period	-	-	-	-	-	-	-	-	(7,831)	(7,831)	2,523	(5,308)
Other comprehensive expense for the period:												
Exchange differences on translating of foreign operations	-	-	-	-	-	-	(1,480)	-	-	(1,480)	(1,422)	(2,902)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(1,480)	-	(7,831)	(9,311)	1,101	(8,210)
Profit appropriation to statutory reserve	-	-	-	-	-	-	-	515	(515)	-	-	-
At 31 December 2022 (unaudited)	42,019	-	209,982	6,906	31,309	39,864	165	9,504	(386,785)	(47,036)	44,863	(2,173)
At 1 January 2021 (audited)	41,477	542	209,982	6,906	19,341	63,092	2,596	4,876	(386,300)	(37,488)	24,519	(12,969)
(Loss) profit for the period	-	-	-	-	-	-	-	-	(4,474)	(4,474)	6,265	1,791
Other comprehensive income for the period:												
Exchange differences on translating of foreign operations	-	-	-	-	-	-	560	-	-	560	537	1,097
Total comprehensive income (expense) for the period	-	-	-	-	-	-	560	-	(4,474)	(3,914)	6,802	2,888
Lapsed of share options	-	-	-	-	-	(23,228)	-	-	23,228	-	-	-
Conversion of convertible preference shares	542	(542)	-	-	-	-	-	-	-	-	-	-
At 30 June 2021 (unaudited)	42,019	-	209,982	6,906	19,341	39,864	3,156	4,876	(367,546)	(41,402)	31,321	(10,081)

Note: Other reserve represents the share of a subsidiary's share premium arising from the allotment and issue of shares and deemed contribution from owners of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

	Six months ended	
	31 December 2022	30 June 2021
Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Net cash generated from (used in) operating activities	11,866	(4,662)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,159)	(214)
Interest received	2	—
Net cash used in investing activities	(2,157)	(214)
Net cash generated from financing activities	677	263
Net increase (decrease) in cash and cash equivalents	10,386	(4,613)
Effects of foreign exchange rate changes	(159)	3,294
Cash and cash equivalents at beginning of the period	7,520	5,446
Cash and cash equivalents at end of the period, represented by bank balances and cash	17,747	4,127

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The address of its principal place of business is 13/F, Admiralty Centre, Tower 2, 18 Harcourt Road, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

The principal activities of the Group are manufacturing and sale of modified starch and other biochemical products.

In the opinion of the Directors, as at 31 December 2022, Chinese Success Limited, a company incorporated in the British Virgin Islands, is the immediate parent; Wai Chun Investment Fund ("Wai Chun IF"), a company incorporated in the Cayman Islands, is the ultimate parent and Mr. Lam Ching Kui ("Mr. Lam") is the ultimate controlling party of the Company, who resigned as the chairman of the Board, the chief executive officer and an executive director of the Company on 18 July 2022.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the Group entities operate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Listing Rules.

The condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the eighteen months ended 30 June 2022. The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the eighteen months ended 30 June 2022.

The Group incurred a loss attributable to owners of the Company of approximately HK\$7,831,000 for the six months ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities of approximately HK\$90,173,000 and net liabilities of approximately HK\$2,173,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have prepared the condensed consolidated financial statements based on going concern on the assumptions and measures that:

- (a) As at 31 December 2022, the Company has drawn down loan of approximately HK\$1,536,000 and undrawn loan facilities of approximately HK\$68,464,000 granted by Wai Chun IF, its ultimate holding company;
- (b) In addition to the loan facilities granted by Wai Chun IF as stated above, Mr. Lam has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the condensed consolidated financial statements. Also, Mr. Lam agreed not to request the Group, whenever necessary, to settle the related party balance recorded in borrowings amounting to approximately HK\$13,276,000 until all other third parties liabilities of the Group had been satisfied;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

2. BASIS OF PREPARATION (Continued)

- (c) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and
- (d) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve-month period from the date of this report after taking into account the impact of above measures, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the condensed consolidated financial statements.

As set out in the paragraphs above, the Group intends to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the People's Republic of China (the "PRC") market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has engaged in discussions with various parties for such acquisitions or investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2022. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current period and prior period.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group does not expect that the application of these new and revised HKFRSs would have material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

Revenue from manufacturing and sale of modified starch and other biochemical products for the six months ended 31 December 2022 were approximately HK\$405,080,000 (for the six months ended 30 June 2021: approximately HK\$287,873,000).

Disaggregation of revenue from contracts with customers

For the six months ended 31 December 2022, the revenue from manufacturing and sale of modified starch and other biochemical products are derived from customers in the PRC and Russia in the amounts of approximately HK\$387,331,000 and approximately HK\$17,749,000 respectively (six months ended 30 June 2021: approximately HK\$287,873,000 derived from customers in the PRC).

The Group recognised revenue when the products are transferred to the customers at a point in time.

The Group has one reportable segment as follows:

Modified starch and other biochemical products	–	Manufacturing and sale of modified starch and other biochemical products
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Segment profits or losses do not include other income and other gains and losses, net, central administration costs, finance costs and income tax expenses.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

Six months ended 31 December 2022

	Modified starch and other biochemical products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	405,080	405,080
Segment profit	8,067	8,067
Other revenue and other gains and losses, net		79
Central administration costs		(3,501)
Finance costs		(8,424)
Loss before tax		(3,779)
Income tax expense		(1,529)
Consolidated loss for the period		(5,308)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2021

	Modified starch and other biochemical products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	287,873	287,873
Segment profit	15,801	15,801
Other revenue and other gains and losses, net		(320)
Central administration costs		(6,334)
Finance costs		(6,284)
Profit before tax		2,863
Income tax expense		(1,072)
Consolidated profit for the period		1,791

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

5. INCOME TAX EXPENSE

	Six months ended	
	31 December	30 June
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Income tax expense comprises:

Current income tax – PRC Enterprise

Income Tax

Provision for the period

1,529

1,072

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived from Hong Kong for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax (“EIT”) at 25% for both periods, except for the following subsidiary of the Company.

A Company’s subsidiary was exempted from PRC income taxes for both periods. According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from primary processing for agriculture products are exempted from EIT.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

6. LOSS FOR THE PERIOD

	Six months ended	
	31 December	30 June
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Cost of inventories sold	378,389	258,871
Impairment loss (reversal of impairment losses) on trade and other receivables, net	4,131	(1,106)
Depreciation on property, plant and equipment	3,352	2,952
Depreciation on right-of-use assets	1,915	2,029
Staff costs (including directors' emoluments and retirement benefit costs)	8,920	8,046

7. INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2022 (six months ended 30 June 2021: Nil).

8. LOSS PER SHARE

Loss per share

The calculation of basic loss per share attributable to owners of the Company for the six months ended 31 December 2022 is based on the loss attributable to owners of the Company of approximately HK\$7,831,000 (six months ended 30 June 2021: loss attributable to owners of the Company of approximately HK\$4,474,000) and the weighted average number of ordinary shares of 1,680,764,537 (six months ended 30 June 2021: 1,666,979,786) in issue during the period.

Diluted loss per share

As the exercise of the Group's outstanding convertible bonds for the six months ended 31 December 2022 and for the six months ended 30 June 2021 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's outstanding share options and convertible preference shares in both periods, accordingly, the diluted loss per share is same as the basic loss per share in both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

9. TRADE RECEIVABLES

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Trade receivables	38,530	53,371
Less: Provision for loss allowance	(9,016)	(4,885)
Carrying amount	29,514	48,486

The Group allows average credit period of 30 to 180 days to its customers. Receivables that were current relate to customers for whom there was no recent history of default. Provision for impairment is made unless the Group has concluded that recovery is remote, in which case the unrecovered loss is written off against trade receivables and the provision for impairment directly. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
0-30 days	14,153	23,250
31-60 days	5,658	9,295
61-90 days	4,990	8,198
91-180 days	4,713	7,714
Over 180 days	-	29
Total	29,514	48,486

As at 31 December 2022, trade receivables of approximately HK\$29,514,000 (30 June 2022: approximately HK\$48,457,000) are not past due and regarded as having low default risk by the management of the Company based on regular repayment history in the expected credit loss assessment. As at 31 December 2022, trade receivables of approximately HK\$11,327,000 (30 June 2022: approximately HK\$11,713,000) were pledged to secure certain bank borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

10. TRADE PAYABLES

The average credit period on purchases of goods ranges from 30 to 180 days. The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe. The aging analysis of trade payables based on the invoice date, is as follows:

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
0-30 days	25,169	17,966
31-60 days	20,998	21,535
61-90 days	2,758	2,073
91-180 days	2,423	459
Over 180 days	537	2,360
Total	51,885	44,393

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their respective fair value.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the eighteen months ended 30 June 2022.

There have been no changes in the risk management policies since 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

12. RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to those related party transactions disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the periods:

	Six months ended	
	31 December	30 June
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on loans from the ultimate holding company	34	81
Interest expenses on loan from Mr. Lam	245	287
Salaries to the spouse of Mr. Lam	360	513
Salaries to a son of Mr. Lam	240	270

As at 31 December 2022, loan facilities granted by the ultimate holding company to the Company amounted to approximately HK\$70,000,000 (30 June 2022: approximately HK\$70,000,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

12. RELATED PARTY TRANSACTIONS (Continued)

(b) Related party balances

In addition to those related party balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following balances with its related parties as at the end of the reporting period:

As at 31 December 2022, the convertible bonds amounting to approximately HK\$56,643,000 (30 June 2022: approximately HK\$52,293,000) were held by Mr. Lam, and the convertible bonds amounting to approximately HK\$14,562,000 (30 June 2022: approximately HK\$13,357,000) were held by Chinese Success Limited, the immediate holding company of the Company.

(c) Key management personnel remuneration

The remuneration of the Directors and other members of key management personnel during the periods are as follows:

	Six months ended	
	31 December 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Salaries and allowances	510	1,562
Retirement benefit scheme contributions	8	36
Total	518	1,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

13. EVENTS AFTER THE REPORTING PERIOD

References are made to (i) the announcement of the Company dated 22 December 2022 in relation to the conditional subscription agreement dated 22 December 2022 entered into between the Company and Chinese Success Limited in relation to the subscription of the new convertible bonds in an aggregate principal amount of HK\$14,000,000, the alteration of the terms of the existing convertible bonds and the transactions contemplated respectively thereunder; and (ii) the announcement of the Company dated 10 January 2023 in relation to, among other things, the proposed consolidation of (1) every ten (10) issued and unissued existing ordinary shares of HK\$0.025 each in the share capital of the Company into one (1) consolidated ordinary share of HK\$0.25; and (2) every ten (10) issued and unissued existing convertible preference shares of HK\$0.025 each in the share capital of the Company into one (1) consolidated convertible preference share of HK\$0.25 (together, the “Announcements”). Details of which are set out in the Announcements and the circular of the Company dated 23 February 2023. As at the date of this report, the subscription of the new convertible bonds, the alteration of the terms of the existing convertible bonds, and the share consolidation have not yet been completed.