



# **WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED**

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 0660)

**INTERIM REPORT 2019**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive director

Lam Ching Kui  
(*Chairman and Chief Executive Officer*)

### Independent

#### Non-Executive directors

Chan Chun Wai, Tony  
Hau Pak Man  
To Yan Ming, Edmond

## AUTHORISED

### REPRESENTATIVES

Lam Ching Kui  
Tse Kin Wing

## COMPANY SECRETARY

Tse Kin Wing

## AUDIT COMMITTEE

Chan Chun Wai, Tony (*Chairman*)  
Hau Pak Man  
To Yan Ming, Edmond

## REMUNERATION COMMITTEE

Hau Pak Man (*Chairman*)  
Lam Ching Kui  
Chan Chun Wai, Tony

## NOMINATION COMMITTEE

Lam Ching Kui (*Chairman*)  
Chan Chun Wai, Tony  
Hau Pak Man

## 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 2  
18 Harcourt Road  
Admiralty  
Hong Kong

## AUDITOR

HLM CPA Limited  
*Certified Public Accountants*  
Rooms 1501-8, 15th Floor  
Tai Yau Building  
181 Johnston Road  
Wanchai, Hong Kong

## 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

Hong Kong Stock Exchange: 0660

## COMPANY WEBSITE

<http://www.0660.hk>

# MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Director(s)”) of Wai Chun Mining Industry Group Company Limited (the “Company”) presents the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018.

## FINANCIAL REVIEW

### Financial Performance

For the six months ended 30 June 2019, the Group recorded a turnover of approximately HK\$269,294,000 (six months ended 30 June 2018: approximately HK\$243,001,000), representing an increase of 10.8% as compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin of approximately HK\$17,056,000 and 6.3% respectively for the six months ended 30 June 2019, representing increases of approximately HK\$8,730,000 and of 104.9% respectively as compared with the gross profit of approximately HK\$8,326,000 and gross profit margin of 3.4% in the first half of 2018. Such increases were mainly due to the increase in the market demand of the modified starch and other biochemical products during the period.

Administrative expenses decreased by 11.7% from approximately HK\$12,288,000 in the first half of 2018 to approximately HK\$10,849,000 for the corresponding period this year. Such decrease is mainly due to the tighter cost control measures employed by the management. Selling expenses recorded an increase of 86.3% from approximately HK\$3,180,000 in the first half of 2018 to approximately HK\$5,923,000 for the corresponding period this year. Such increase is in line with the increase in sales of modified starch and other biochemical products and increase of customers in other provinces during the period.

Loss attributable to owners of the Company amounted to approximately HK\$5,547,000, representing an decrease of 17.6% as compared with the loss of approximately HK\$6,729,000 for the corresponding period last year. The decrease in the loss was mainly attributable to the increase in gross profit and decrease administrative expenses mentioned above.

### Financial Resources and Position

As at 30 June 2019, the Group had net current liabilities of approximately HK\$81,632,000 (31 December 2018: approximately HK\$84,060,000) and cash and cash equivalents of approximately HK\$5,613,000 (31 December 2018: approximately HK\$4,537,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2019, the current ratio of the Group was approximately 0.52 times (31 December 2018: approximately 0.47 times). The net debts (net of cash and cash equivalents) to total assets ratio of the Group was approximately 56.1% (31 December 2018: approximately 62.4%). Total borrowings of the Group amounted to approximately HK\$96,602,000, comprising secured bank loan of approximately HK\$54,279,000, loans from ultimate holding company of approximately HK\$39,753,000 and loans from an independent third party of approximately HK\$2,570,000. All the borrowings are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing at prevailing market interest rates.

During the six months ended 30 June 2019, the Group financed its operations mainly by internally generated resources and borrowings which include bank borrowings, loan and undrawn loan facilities from ultimate holding company. The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As the Group's businesses are conducted in Hong Kong and the PRC, the Group is not exposed to any material foreign exchange risk.

## BUSINESS REVIEW AND OUTLOOK

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

During the period under review, the business of manufacture and sales of modified starch and biochemical products recorded segment profits of approximately HK\$6,163,000 (six months ended 30 June 2018: segment profits of approximately HK\$3,417,000). Such increase was mainly due to the increase in the market demand of the modified starch and other biochemical products business. The business of general trading recorded segment profits of approximately HK\$101,000 during the period (six months ended 30 June 2018: segment profit of approximately HK\$108,000).

The Group will continue 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 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 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.

## INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2019 (For the six months ended 30 June 2018: Nil).

## OTHER INFORMATION

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

As at 30 June 2019, the beneficial interests of the Directors and chief executive in any shares, underlying shares and debentures of the Company and any of its associated corporations (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 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") in Appendix 10 of the Listing Rules, were as follows:

#### Long Positions

Name of Director	Capacity	Ordinary shares of HK\$0.0025 each		
		Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of issued share capital
Mr. Lam Ching Kui	Interest of controlled corporations	Long position	8,442,624,320 (Note)	50.88%

Note: Mr. Lam Ching Kui directly holds 327,600,000 shares and is the beneficial owner of Oriental Success Ventures Limited which is deemed to be interested in 7,898,064,320 shares and 216,960,000 convertible preference shares of the Company held by Chinese Success Limited, a wholly owned subsidiary of Oriental Success Ventures Limited.

Other than as disclosed above, as at 30 June 2019, none of the Directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO.

#### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of Directors and chief executive, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

# OTHER INFORMATION

## Long Positions

Name of shareholder	Capacity	Ordinary shares of HK\$0.0025 each	
		Number of shares/ underlying shares held	Approximate percentage of issued share capital
Lam Ching Kui	Interests of controlled corporations (Note 1)	8,442,624,320	50.88%
Chinese Success Limited (Note 1)	Beneficial owner	8,115,024,320	48.91%
Oriental Success Ventures Limited	Interest of controlled corporation (Note 1)	8,115,024,320	48.91%
Onward Global Investments Limited ("Onward Global") (Note 2)	Beneficial owner	1,344,960,000	8.10%
Wan Yuzhen (Note 2)	Interest of controlled corporation	1,344,960,000	8.10%
Spring Garden Investments Limited ("Spring Garden") (Note 3)	Beneficial owner	1,286,400,000	7.75%
Zhong Liyan (Note 3)	Interest of controlled corporation	1,286,400,000	7.75%
Fair Concourse Limited ("Fair Concourse") (Note 4)	Beneficial owner	1,412,704,000	8.51%
Mai Xiu Qun (Note 4)	Interest of controlled corporation	1,412,704,000	8.51%
South Bright Holdings Limited ("South Bright") (Note 5)	Beneficial owner	1,017,233,702	6.13%
Wan Qian Yi (Note 5)	Interest of controlled corporation	1,017,233,702	6.13%
Chen Guanyu	Beneficial owner	1,611,813,706	9.71%

Notes:

- (1) Chinese Success Limited, which is wholly owned by Oriental Success Ventures Limited, holds (i) 7,898,064,320 shares of the Company and (ii) 216,960,000 convertible preference shares of the Company, which is convertible to 216,960,000 shares of the Company. Mr. Lam Ching Kui, the Chairman and Executive Director of the Company, directly holds 327,600,000 shares of the Company and is the beneficial owner of the entire issued share capital of Oriental Success Ventures Limited. Mr. Lam Ching Kui is the director of Chinese Success Limited and Oriental Success Ventures Limited.
- (2) These 1,344,960,000 shares of the Company were held by Onward Global which is wholly owned by Wan Yuzhen. For the purpose of SFO, Wan Yuzhen is deemed to be interested in these 1,344,960,000 shares held by Onward Global.



## OTHER INFORMATION

- (3) These 1,286,400,000 shares of the Company were held by Spring Garden which is wholly owned by Zhong Liyan. For the purpose of SFO, Zhong Liyan is deemed to be interested in these 1,286,400,000 shares held by Spring Garden.
- (4) The 1,412,704,000 shares of the Company were held by Fair Concourse Limited which is wholly owned by Mai Xiu Qun. For the purpose of SFO, Mai Xiu Qun is deemed to be interested in these 1,412,704,000 shares held by Fair Concourse.
- (5) The 1,017,233,702 shares of the Company were held by South Bright Holdings Limited which is wholly owned by Wan Qian Yi. For the purpose of SFO, Wan Qian Yi is deemed to be interested in these 1,017,233,702 shares held by South Bright.

Save for the shareholders as disclosed herein, the Directors and the chief executive of the Company are not aware of any persons who, as at 30 June 2019, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

### SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 22 July 2015 (“Share Option Scheme”). Particulars of the Share Option Scheme and movements of the Company’s share options during the period are set out in note 24 to the condensed consolidated financial statements.

### EMPLOYEES

As at 30 June 2019, the Group had a total of 185 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to the 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 life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company’s operating results, individual performance and comparable market statistics, decides the emoluments of the executive Director(s) and senior management. No Director, or any of its associates, and executive, is involved in dealing his own remuneration.

### DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 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 30 June 2019.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules 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 30 June 2019.

### 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 30 June 2019, the Company has complied with the relevant code provisions set out in the CG Code except for the deviation from code provision A.2.1 and A.5.5(2), which are explained below.

Code provision A.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 does not at present separate the roles of the chairman and chief executive officer. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company. He 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.

Code provision A.5.5(2) provide that where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why the board believes the individual would still be able to devote sufficient time to the board if the proposed independent non-executive director will be holding his seventh (or more) listed company directorship.

The Company did not disclose in its circular dated 30 April 2019 the fact that Mr. To Yan Ming, Edmond ("Mr. To"), an Independent Non-executive Director, holds more than seven listed company directorships and the reasons why the Board believes that Mr. To should be re-elected due to an inadvertent oversight. Mr. To has confirmed that he is aware of the responsibilities of being a director of a public listed company in Hong Kong and will be able to dedicate sufficient time and attention to the Board in discharging his duties as an Independent Non-executive Director of the Company. Mr. To has participated in the Company's meetings and has attained 100% attendance record in 2018 and provided the Company with many useful opinions. The Board believes that Mr. To's valuable knowledge and experience in the Group's business and his accounting expertise and experience in other organisations will continue to contribute to the success of the Group.

### 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 Mr. Chan Chun Wai, Tony (Chairman), Mr. Hau Pak Man and Mr. To Yan Ming, Edmond. Mr. Chan Chun Wai, Tony (Chairman) and Mr. Hau Pak Man have reviewed the unaudited interim financial results of the Group for the six months ended 30 June 2019.

On behalf of the Board

**Wai Chun Mining Industry Group Company Limited**

**Lam Ching Kui**

*Chairman and Chief Executive Officer*

Hong Kong, 30 August 2019

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

恒健會計師行有限公司  
**HLM CPA LIMITED**  
Certified Public Accountants

Rooms 1501-8, 15th Floor, Tai Yau Building  
181 Johnston Road, Wanchai, Hong Kong  
香港灣仔莊士敦道181號  
大有大廈15樓1501-8室  
Tel 電話: (852) 3103 6980  
Fax 傳真: (852) 3104 0170  
Email 電郵: info@hlm.com.hk

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**TO THE BOARD OF DIRECTORS OF  
WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED**

偉俊礦業集團有限公司  
(Incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wai Chun Mining Industry Group Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 12 to 44, which comprise the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion 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.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The accompanying condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared assuming that the Group will continue as a going concern. Without qualifying our review conclusion, we draw attention to Note 2 to the condensed consolidated financial statements which indicate that the Group incurred a net loss attributable to owners of the Company of approximately HK\$5,547,000 for the six months ended 30 June 2019, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$81,632,000 and HK\$48,935,000 respectively and also, the Group's capital deficiency attributable to owners of the Company was approximately HK\$52,636,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in Note 2 to the condensed consolidated financial statements. The condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

### **HLM CPA Limited**

*Certified Public Accountants*

### **Yip Yuen Nga**

Practising Certificate Number: P05908

Hong Kong

30 August 2019



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Turnover	4	269,294	243,001
Cost of sales		(252,238)	(234,675)
Gross profit		17,056	8,326
Other revenue		487	545
Selling expenses		(5,923)	(3,180)
Administrative expenses		(10,849)	(12,288)
Impairment loss, net of reversal		(1,080)	3,486
Gain on disposal of subsidiaries	25	67	–
Finance costs		(3,249)	(2,435)
Loss before tax		(3,491)	(5,546)
Income tax expense	5	(77)	(58)
Loss for the period	6	(3,568)	(5,604)
<b>(Loss) profit for the period attributable to:</b>			
– Owners of the Company		(5,547)	(6,729)
– Non-controlling interests		1,979	1,125
		(3,568)	(5,604)
<b>Loss per share</b>	8	<b>HK cents</b>	<b>HK cents</b>
– Basic		(0.03)	(0.04)
– Diluted		(0.03)	(0.04)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(3,568)</b>	(5,604)
Other comprehensive (expenses) income <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>(83)</b>	10
Release of exchange differences upon disposal of subsidiaries	<b>(1)</b>	–
Total comprehensive (expenses) income, net of tax	<b>(84)</b>	10
<b>Total comprehensive expenses for the period</b>	<b>(3,652)</b>	(5,594)
<b>Total comprehensive (expenses) income attributable to:</b>		
– Owners of the Company	<b>(5,591)</b>	(6,724)
– Non-controlling interests	<b>1,939</b>	1,130
	<b>(3,652)</b>	(5,594)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	42,480	42,728
Prepaid land lease payments	11	–	29,635
Right-of-use assets	10	29,970	–
		<b>72,450</b>	72,363
<b>Current assets</b>			
Inventories		38,479	28,490
Prepaid land lease payments	11	–	696
Trade and bills receivables	12	20,114	22,140
Deposits, prepayments and other receivables	13	25,560	18,509
Bank balances and cash		5,613	4,537
		<b>89,766</b>	74,372
<b>Current liabilities</b>			
Trade and bills payables	14	80,944	62,570
Accruals and other payables		28,903	27,010
Contract liabilities	15	4,702	6,241
Tax payables		–	46
Borrowings	16	56,849	62,565
		<b>171,398</b>	158,432
<b>Net current liabilities</b>		<b>(81,632)</b>	(84,060)
<b>Total assets less current liabilities</b>		<b>(9,182)</b>	(11,697)
<b>Non-current liability</b>			
Loans from the ultimate holding company	17	39,753	33,586
<b>Net liabilities</b>		<b>(48,935)</b>	(45,283)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital – ordinary shares	18	<b>41,477</b>	41,477
Share capital – convertible preference shares	19	<b>542</b>	542
Reserves		<b>(94,655)</b>	(89,064)
Capital deficiency attributable to owners of the Company		<b>(52,636)</b>	(47,045)
Non-controlling interests		<b>3,701</b>	1,762
<b>Capital deficiency</b>		<b>(48,935)</b>	(45,283)



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	Convertible	Other	Share	Share	Translation	Statutory	Accumulated	Sub-	Non-	Total	
	Share capital	preference shares	Share premium	reserve (Note)	option reserve	reserve	reserve	total losses	controlling interests	equity	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2019 (audited)	41,477	542	209,982	6,906	63,092	1,072	-	(370,116)	(47,045)	1,762	(45,283)
(Loss) profit for the period	-	-	-	-	-	-	-	(5,547)	(5,547)	1,979	(3,568)
Other comprehensive expenses for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(43)	-	-	(43)	(40)	(83)
Transfer to statutory reserve	-	-	-	-	-	-	156	(156)	-	-	-
Release of exchange difference upon disposal of subsidiaries	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(44)	156	(5,703)	(5,591)	1,939	(3,652)
At 30 June 2019 (unaudited)	41,477	542	209,982	6,906	63,092	1,028	156	(375,819)	(52,636)	3,701	(48,935)
At 1 January 2018 (audited)	41,477	542	209,982	6,906	23,228	1,058	-	(316,499)	(33,306)	1,287	(32,019)
(Loss) profit for the period	-	-	-	-	-	-	-	(6,729)	(6,729)	1,125	(5,604)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	5	-	-	5	5	10
Total comprehensive income (expense) for the period	-	-	-	-	-	5	-	(6,729)	(6,724)	1,130	(5,594)
At 30 June 2018 (unaudited)	41,477	542	209,982	6,906	23,228	1,063	-	(323,228)	(40,030)	2,417	(37,613)

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 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Net cash generated from (used in) operating activities</b>	<b>6,071</b>	(1,223)
<b>Investing activities</b>		
Interest received	146	151
Proceeds from disposal of property, plant and equipment	–	146
Purchase of financial assets at fair value through profit or loss	–	(1,600)
Proceeds from disposal of financial assets at fair value through profit or loss	–	3,657
Purchase of property, plant and equipment	(2,342)	(3,143)
Disposal of subsidiaries	(22)	–
<b>Net cash used in investing activities</b>	<b>(2,218)</b>	(789)
<b>Financing activities</b>		
Interest paid	(2,047)	(1,488)
New borrowings raised	5,433	11,943
Repayment of borrowings	(11,213)	(5,848)
Increase in loans from the ultimate holding company	5,044	4,199
<b>Net cash (used in) generated from financing activities</b>	<b>(2,783)</b>	8,806
Net increase in cash and cash equivalents	1,070	6,794
Effects of foreign exchange rate changes	6	793
Cash and cash equivalents at beginning of the period	4,537	5,822
Cash and cash equivalents at end of the period, represented by bank balances and cash	5,613	13,409

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In the opinion of the Directors of the Company, the ultimate holding company of the Company is Oriental Success Ventures Limited (“**Oriental Success**”), which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lam Ching Kui (“**Ultimate Controlling Party**”), who is the chairman of the Board of Directors and an executive director of the Company. The address of the registered office of the Company is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and the principal place of business of the Company is 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The principal activities of the Group are the manufacture and sale of modified starch and other biochemical products and general trading including trading of electronic parts and components and electrical appliances.

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.

The condensed consolidated financial statements were approved for issue by the Board of Directors on 30 August 2019.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies in the Group’s audited financial statements for the year ended 31 December 2018, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 December 2019. Details of any changes in accounting policies are set out in Note 3.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 2. BASIS OF PREPARATION (Continued)

The condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2018. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”). They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2018.

For the six months ended 30 June 2019, the Group incurred a net loss attributable to owners of the Company of approximately HK\$5,547,000, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$81,632,000 and HK\$48,935,000 respectively and also, the Group’s capital deficiency attributable to owners of the Company was approximately HK\$52,636,000. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Group’s ability to operate as a going concern, the Directors of the Company have been implementing various measures as follow:

- (i) As at 30 June 2019, the Company has drawn down loan of approximately HK\$39,753,000 and undrawn loan facilities of approximately HK\$91,247,000 granted by Oriental Success, its ultimate holding company, which is provided on a sub-ordinated basis, i.e. Oriental Success will not demand the Company for repayment of such loans until all other liabilities of the Group had been satisfied;
- (ii) In addition to the loan facilities granted by Oriental Success as stated above, the Ultimate Controlling Party 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, the Ultimate Controlling Party and his spouse agreed not to request the Group, whenever necessary, to settle the related parties balance recorded in the other payables amounting to approximately HK\$12,314,000 until all other third parties liabilities of the Group had been satisfied;
- (iii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and
- (iv) 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 2. BASIS OF PREPARATION (Continued)

The Directors have carried out a detailed review of the cash flow forecast of the Group for the coverage period to 30 September 2020, taking into account impact of the above measures, the Directors of the Company 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 amounts, 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 these 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.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The condensed consolidated financial statements have been prepared on the historical basis except for financial instruments which are measured at fair value at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments of HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Prepaid land lease payments in respect of the land use right in the PRC has been regrouped as right-of-use assets under HKFRS 16.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

#### Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

##### Summary of effects arising from initial application of HKFRS 16

The adjustments to the opening balances (affected items only) below resulted from the initial application of HKFRS 16 as at 1 January 2019. The prior-period amounts were not adjusted.

	<b>Prepaid land lease payments</b> HK\$'000	<b>Right- of-use assets</b> HK\$'000
Closing balance at 31 December 2018 – HKAS 17	30,331	N/A
Effect arising from initial application of HKFRS 16		
Reclassification from prepaid land lease payments	(30,331)	30,331
Opening balance at 1 January 2019	–	30,331

As at 31 December 2018, the Group had operating lease commitment of HK\$591,000 for which the lease term ends within 12 months of the date of initial application and the lease does not include a renewal option.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective date to be determined

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have any material impact on the condensed consolidated financial statements.

## 4. SEGMENT INFORMATION

The chief operating decision maker (“CODM”) has been identified as the Group’s senior executive management. The CODM reviews the Group’s internal reporting for resource allocation and assessment of performance.

For management purposes, the Group’s reportable segments under HKFRS 8 are as follows:

Modified starch and other biochemical products	–	Manufacture and sale of modified starch and other biochemical products
General trading	–	Trading of electronic parts, components and electrical appliances

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs and these reports are regularly reviewed by the CODM of the Company.

All of the revenue are recognised when the goods are transferred at a point in time. The performance obligation is satisfied upon delivery of goods.

Segment results represents loss incurred or profit earned by each segment without allocation of other revenue, central administration costs (including Directors’ salaries) and finance costs.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION (Continued)

### Business segments

#### Segment revenue and results

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

#### Six months ended 30 June 2019

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue from contracts with customers within the scope of HKFRS 15</b>				
External sales	248,406	20,888	-	269,294
Inter-segment sales	8	-	(8)	-
<b>Total</b>	<b>248,414</b>	<b>20,888</b>	<b>(8)</b>	<b>269,294</b>
<b>Segment results</b>	<b>6,163</b>	<b>101</b>		<b>6,264</b>
Gain on disposal of subsidiaries				67
Central administration costs				(6,573)
Finance costs				(3,249)
Loss before tax				(3,491)
Income tax expense				(77)
Loss for the period				<b>(3,568)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

#### Segment revenue and results (Continued)

Six months ended 30 June 2018

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue from contracts with customers within the scope of HKFRS 15</b>				
External sales	220,951	22,050	–	243,001
Inter-segment sales	2,669	–	(2,669)	–
<b>Total</b>	<b>223,620</b>	<b>22,050</b>	<b>(2,669)</b>	<b>243,001</b>
<b>Segment results</b>	<b>3,417</b>	<b>108</b>		<b>3,525</b>
Other revenue				545
Central administration costs				(7,181)
Finance costs				(2,435)
Loss before tax				(5,546)
Income tax expense				(58)
Loss for the period				(5,604)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION (Continued)

**Business segments** (Continued)

**Segment assets and liabilities**

At 30 June 2019

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Assets</b>			
Segment assets	160,925	1,104	162,029
Unallocated assets			187
Consolidated assets			<u>162,216</u>
<b>Liabilities</b>			
Segment liabilities	(153,374)	(8,551)	(161,925)
Unallocated liabilities			(49,226)
Consolidated liabilities			<u>(211,151)</u>
<b>Geographical assets</b>			
Hong Kong			1,291
PRC			160,925
			<u>162,216</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

#### Segment assets and liabilities (Continued)

At 31 December 2018

	Modified starch and other biochemical products HK\$'000 (Audited)	General trading HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Assets</b>			
Segment assets	145,539	547	146,086
Unallocated assets			649
Consolidated assets			<u>146,735</u>
<b>Liabilities</b>			
Segment liabilities	(141,944)	(7,929)	(149,873)
Unallocated liabilities			(42,145)
Consolidated liabilities			<u>(192,018)</u>
<b>Geographical assets</b>			
Hong Kong			1,196
PRC			145,539
			<u>146,735</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual segments; and
- liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION (Continued)

### Other information

#### Six months ended 30 June 2019

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Additions to property, plant and equipment	2,342	-	-	2,342
Depreciation of property, plant and equipment and right-of-use assets	2,504	67	-	2,571
Impairment loss on trade and bills receivables	1,080	-	-	1,080

#### Six months ended 30 June 2018

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Additions to property, plant and equipment	3,143	-	-	3,143
Depreciation and amortisation	2,705	67	-	2,772
Impairment loss on trade and bills receivables	470	-	-	470
Reversal of impairment on deposits, prepayments and other receivables	(355)	-	-	(355)
Reversal of write-down of inventories	(3,601)	-	-	(3,601)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION (Continued)

### Geographical information

For the six months ended 30 June 2019 and 2018, the Group's operations were principally located in Hong Kong (country of domicile) and the PRC with revenue and profits from its operations.

The following is an analysis of the Group's revenue from external customers and non-current assets by geographical locations:

	Revenue from external customers for the six months ended 30 June		Non-current assets	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Hong Kong	20,888	22,050	329	396
PRC	248,406	220,951	72,121	71,967
	<b>269,294</b>	243,001	<b>72,450</b>	72,363

### Information on major customers

Revenues from customers from manufacturing and sale of modified starch and other biochemical products contributing over 10% of the total turnover of the Group are as follows:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	50,524	64,612
Customer B	47,377	31,365

No other single customer contributes 10% or more to the Group's turnover.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	77	58

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 of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the condensed consolidated financial statements.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

The provision for Macau Complementary Tax is calculated at 12% (six months ended 30 June 2018: 12%) of the estimated assessable profits for the period. Assessable profit of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately HK\$583,000) (six months ended 30 June 2018: MOP600,000 (equivalent to approximately HK\$583,000)) are exempted from Macau Complementary Tax.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

At the end of current interim period, the Group has unused tax losses of approximately HK\$158,363,000 (31 December 2018: approximately HK\$159,370,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams of the Group.

There was no unrecognised deferred tax liabilities relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries in both periods, as the Directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total unused loss of these PRC subsidiaries as at 30 June 2019 amounted to approximately HK\$28,109,000 (31 December 2018: approximately HK\$29,116,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	<b>252,095</b>	234,637
Interest expenses	<b>3,249</b>	2,435
Impairment loss, net of reversal	<b>1,080</b>	(3,486)
Depreciation of property, plant and equipment and right-of-use assets	<b>2,571</b>	2,395
Amortisation of prepaid land lease payments	<b>-</b>	377
Operating lease payments	<b>1,834</b>	1,844
Net exchange gain	<b>-</b>	(5)
Staff costs (including Directors' emoluments and retirement benefit costs)	<b>3,994</b>	3,018

## 7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 8. LOSS PER SHARE

### Basic loss per share

The calculation of the basic loss per share for six months ended 30 June 2019 is based on loss attributable to owners of the Company of approximately HK\$5,547,000 (six months ended 30 June 2018: approximately HK\$6,729,000) and the number of 16,590,685,376 ordinary shares (six months ended 30 June 2018: 16,590,685,376 ordinary shares) in issue.

### Diluted loss per share

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to share options and convertible preference shares. The calculation of diluted loss per share in the current period does not assume the exercise of the share options and the conversion of convertible preference shares since their exercise would result in a decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$2,342,000 (for the year ended 31 December 2018: approximately HK\$6,563,000).

## 10. RIGHT-OF-USE ASSETS

	<b>30 June 2019 HK\$'000 (Unaudited)</b>
Prepaid land lease payments (reclassified as at 1 January 2019)	<b>30,331</b>
Depreciation	<b>(353)</b>
Exchange differences	<b>(8)</b>
At end of the period	<b>29,970</b>

Right-of-use assets represent prepayments of land use rights premium to the PRC government authority. The Group's land use rights are located in the PRC for industrial purpose. The Group's land use rights are granted for a period of 50 years and are classified as long-term lease. The carrying amount of prepaid land lease payments is reclassified as right-of-use assets at the date of initial application of HKFRS 16.

## 11. PREPAID LAND LEASE PAYMENTS

	31 December 2018 HK\$'000 (Audited)
<b>Carrying amount:</b>	
At beginning of the year	32,739
Exchange difference	(1,683)
Amortisation	(725)
At end of the year	<b>30,331</b>
Analysed for reporting purposes as:	
Current portion	696
Non-current portion	29,635
At end of the year	<b>30,331</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 12. TRADE AND BILLS RECEIVABLES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Trade receivables	<b>22,957</b>	27,646
Bills receivables	<b>3,929</b>	186
	<b>26,886</b>	27,832
Less: Provision for impairment	<b>(6,772)</b>	(5,692)
Total	<b>20,114</b>	22,140

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. As at 30 June 2019, the Group has assessed the recoverability of the receivables and made a provision for impairment.

The aging analysis of trade and bills receivables based on the invoice date and net of provision for impairment, as at the reporting date, is as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
0-30 days	<b>17,874</b>	14,515
31-60 days	<b>1,210</b>	4,870
61-90 days	<b>1,030</b>	310
91-180 days	<b>-</b>	2,445
Total	<b>20,114</b>	22,140

As at 30 June 2019, included in the trade and bills receivables were an aggregate amount of approximately HK\$20,114,000 which 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 losses ("ECL") assessment.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

### 12. TRADE AND BILLS RECEIVABLES (Continued)

The movements in the provision for impairment of trade and bills receivables are as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Balance at beginning of the period/year	<b>5,692</b>	13,029
Provision for impairment	<b>1,080</b>	–
Reversal of impairment loss	–	(312)
Write-off as uncollectible	–	(7,025)
Balance at end of the period/year	<b>6,772</b>	5,692

No trade and bills receivables were past due but not impaired for the period/year.

### 13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Prepayments for inventories	<b>16,284</b>	6,150
Other prepayments	<b>6,018</b>	3,910
Other receivables	<b>2,555</b>	7,746
Rental and utilities deposits	<b>703</b>	703
Total	<b>25,560</b>	18,509

The management of the Group have assessed the ECL of all other receivables as insignificant. Therefore, it did not result in a provision for impairment for the current period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 14. TRADE AND BILLS PAYABLES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Trade payables	<b>78,099</b>	62,570
Bills payables	<b>2,845</b>	–
	<b>80,944</b>	62,570

The average credit period on purchases of goods ranges from 30 to 180 days (31 December 2018: 30 to 180 days). The Group has financial risk management policies to ensure that all trade payables are paid within the credit timeframe. The following is an aging analysis of trade payables based on the invoice date:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
0-30 days	<b>31,381</b>	16,413
31-60 days	<b>33,617</b>	31,188
61-90 days	<b>2,964</b>	3,420
91-180 days	<b>9,161</b>	9,173
Over 180 days	<b>976</b>	2,376
Total	<b>78,099</b>	62,570

## 15. CONTRACT LIABILITIES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Receipts in advance from sales of modified starch and other biochemical products	<b>4,702</b>	6,241

Note:

The balance of contract liabilities as at 1 January 2019 was HK\$6,241,000, the entire amount was recognised as revenue during the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 16. BORROWINGS

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Bank loans, secured	(i)	54,279	59,995
Loan from an independent third party, unsecured	(ii)	2,570	2,570
<b>Total</b>		<b>56,849</b>	<b>62,565</b>

Notes:

(i) The bank loans were secured by the pledge of the right-of-use assets in PRC with aggregate carrying amount of approximately HK\$18,853,000 (31 December 2018: approximately HK\$19,078,000). All bank loans are denominated in Renminbi with interest rate at 4.785% (31 December 2018: 4.35% to 5.22%) per annum and repayable within one year.

(ii) Bearing interest at 1% above Hong Kong Prime Rate per annum for both periods.

## 17. LOANS FROM THE ULTIMATE HOLDING COMPANY

The loans were sub-ordinated in nature, unsecured, and bear interest at 6.25% for both periods.

## 18. SHARE CAPITAL – ORDINARY SHARES

	Number of ordinary shares of HK\$0.0025 each	Amount HK\$'000
Authorised:		
Balance as at 1 January 2018, 31 December 2018 and 30 June 2019	40,000,000,000	100,000
Issued and fully paid:		
Balance as at 1 January 2018, 31 December 2018 and 30 June 2019	16,590,685,376	41,477

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 19. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of convertible preference shares of HK\$0.0025 each	Amount HK\$'000
Authorised:		
Balance as at 1 January 2018, 31 December 2018 and 30 June 2019	816,000,000	2,040
Issued and fully paid:		
Balance as at 1 January 2018, 31 December 2018 and 30 June 2019	216,960,000	542

The convertible preference shares are non-redeemable, carry no voting right and each of the convertible preference share is convertible into one ordinary share at any time before the fifth anniversary of the issue date of the convertible shares. The convertible preference shareholder is entitled to receive dividend pari passu with ordinary shareholders on an as converted basis.

## 20. OPERATING LEASE COMMITMENTS

### The Group as lessee

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Lease payments in respect of rented premises paid under operating leases during the period	1,834	1,844

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 20. OPERATING LEASE COMMITMENTS (Continued)

### The Group as lessee (Continued)

At the end of the current interim period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Within one year	<b>584</b>	591

Operating lease payments represent rental payables by the Group for its office premises in Hong Kong. Lease and rental are negotiated and fixed respectively for a term of one year.

## 21. PLEDGE OF ASSETS

Part of the Group's right-of-use assets in the PRC with carrying amounts of approximately HK\$18,853,000 have been pledged to secure the bank loans to the Group. Part of the Group's prepaid land lease payments in the PRC with carrying amount of approximately HK\$19,078,000 as at 31 December 2018.

## 22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Directors of the Company 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 information does 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 as at 31 December 2018.

There have been no changes in the risk management policies since 31 December 2018.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 23. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### (a) Transactions with related parties

For both periods, the Group entered into the following transactions with related parties. The transactions were carried out at estimated market prices determined by the Directors of the Company.

Related parties	Nature of transactions	For the six months ended 30 June		Interested party	Relationship
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)		
Wai Chun Holdings Group Limited	Rental expenses	1,753	1,753	Lam Ching Kui	Director
Oriental Success	Interest expenses	1,122	870	Lam Ching Kui	Director

### (b) Outstanding balances with related parties

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Rental expenses payable to Wai Chun Holdings Group Limited (note i)	8,115	6,362
Loans from the ultimate holding company	39,753	33,586
Salary payable to the Executive Director	3,991	3,991
Salary payable to Ms. Chan Oi Mo (note ii)	353	353

Notes:

- (i) Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam, the Executive Director of the Company, and as to 50% by Ms. Chan Oi Mo, the spouse of Mr. Lam.
- (ii) Ms. Chan Oi Mo is the spouse of Mr. Lam, the Executive Director of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 23. RELATED PARTY TRANSACTIONS (Continued)

### (c) Key management personnel remuneration

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

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term employee benefits	630	1,113
Defined contribution retirement plans	27	43
Total	657	1,156

## 24. SHARE-BASED PAYMENT

The Company's share option scheme was adopted pursuant to resolution passed 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 advisers to take up options.

As at 31 December 2018 and 30 June 2019, the number of shares in respect of the options granted and remained outstanding under the Share Option Scheme was 1,595,468,537, representing 9.6% of the issued shares of the Company. As at the date of this interim report, no share was available for further issue under the Share Option Scheme.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 24. SHARE-BASED PAYMENT (Continued)

Movements of the Company's share options held by consultants and an employee during the period ended 30 June 2019 are set out below:

Category of participants	Number of share options			As at 30 June 2019	Date of grant	Exercise period	Exercise price HK\$
	As at 1 January 2019	Granted	Exercised				
Consultants	536,932,614	-	-	536,932,614	12 January 2016	12 January 2016 to 11 January 2021	0.0686
Employee	162,706,853	-	-	162,706,853	12 January 2016	12 January 2016 to 11 January 2021	0.0686
Consultants	733,122,217	-	-	733,122,217	16 July 2018	16 July 2018 to 15 July 2023	0.0720
Employee	162,706,853	-	-	162,706,853	16 July 2018	16 July 2018 to 15 July 2023	0.0720
<b>Total</b>	<b>1,595,468,537</b>	<b>-</b>	<b>-</b>	<b>1,595,468,537</b>			
Exercisable at the end of the period				<b>1,595,468,537</b>			

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 24. SHARE-BASED PAYMENT (Continued)

Category of participants	Number of share options				Date of grant	Exercise period	Exercise price HK\$
	As at 1 January 2018	Granted	Exercised	As at 31 December 2018			
Consultants	536,932,614	-	-	536,932,614	12 January 2016	12 January 2016 to 11 January 2021	0.0686
Employee	162,706,853	-	-	162,706,853	12 January 2016	12 January 2016 to 11 January 2021	0.0686
Consultants	-	733,122,217	-	733,122,217	16 July 2018	16 July 2018 to 15 July 2023	0.0720
Employee	-	162,706,853	-	162,706,853	16 July 2018	16 July 2018 to 15 July 2023	0.0720
<b>Total</b>	<b>699,639,467</b>	<b>895,829,070</b>	<b>-</b>	<b>1,595,468,537</b>			
Exercisable at the end of the year				<b>1,595,468,537</b>			

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 24. SHARE-BASED PAYMENT (Continued)

On 12 January 2016, the Company granted a total of 699,639,467 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 12 January 2016 to 11 January 2021. The options will entitle the grantees to subscribe for a total of 699,639,467 new shares of HK\$0.0025 each at an exercise price of HK\$0.0686 per share.

On 16 July 2018, the Company granted a total of 895,829,070 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 895,829,070 new shares of HK\$0.0025 each at an exercise price of HK\$0.0720 per share.

The fair value of the share options determined at the date of grant was calculated by independent valuer using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

<b>Grant date</b>	<b>12 January 2016</b>	<b>16 July 2018</b>
Exercise price (HK\$)	0.0686	0.0720
Share price at the date of grant (HK\$)	0.0660	0.0720
Dividend yield (%)	–	–
Expected volatility (%)	93.245	90.196
Risk-free interest rate (%)	0.941	2.094
Expected life of options (years)	5	5

The binomial option 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.

The fair value of the share options granted during the year ended 31 December 2018 was approximately HK\$39,864,000. The fair value per option granted was HK cents 4.45. The Group recognised share-based payment expenses of approximately HK\$39,864,000 for the year ended 31 December 2018.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 25. DISPOSAL OF SUBSIDIARIES

On 14 January 2019, the Group disposed of the entire equity interest in Wai Chun Fortune Limited and its subsidiaries at a cash consideration of HK\$1 to a company which is owned by Ultimate Controlling Party. The analysis of assets and liabilities disposed as that date are shown as follows:

### Consideration received:

Cash received	_*
	<hr/>
	14 January 2019
	HK\$'000

### Analysis of assets and liabilities disposed of:

Bank balances and cash	(22)
Accruals and other payables	58
Amounts due to an intermediate holding company	30
	<hr/>
Net liabilities disposed of	66

### Gain on disposal of subsidiaries:

Consideration received	_*
Net liabilities disposed of	66
Realisation of translation reserves	1
	<hr/>
	67

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follow:

	HK\$'000
	<hr/>
Cash consideration	_*
Bank balances and cash disposed of	(22)
	<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries	(22)

\* Consideration received is HK\$1