



# Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0660)

INTERIM REPORT  
**2020**



## CONTENTS

Page	
2	Corporate Information
3-4	Management Discussion and Analysis
5-9	Other Information
10	Condensed Consolidated Statement of Profit or Loss
11	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
12-13	Condensed Consolidated Statement of Financial Position
14	Condensed Consolidated Statement of Changes in Equity
15	Condensed Consolidated Statement of Cash Flows
16-40	Notes to the Condensed Consolidated Financial Statements

# 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  
Li Jinyuan *(Note 1)*

## AUTHORISED REPRESENTATIVES

Lam Ching Kui  
Chiu Chun Tak

## COMPANY SECRETARY

Chiu Chun Tak

## AUDIT COMMITTEE

Chan Chun Wai, Tony *(Chairman)*  
Hau Pak Man  
Li Jinyuan *(Note 1)*

## 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>

*Note 1:* Mr. Li Jinyuan ("Mr. Li") has resigned as an Independent Non-executive Director, and ceased to be a member of Audit Committee of the Company on 14 September 2020. Following the resignation of Mr. Li, there is a vacancy in the position of member of the Audit Committee of the Company and the Company only has two Independent Non-executive Directors. The Board will identify an appropriate person to fill the vacancy of Independent Non-executive Director and a member of the Audit Committee within three months from the date of resignation of Mr. Li pursuant to Rule 3.11 and Rule 3.23 of the Listing Rules.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Financial Performance

For the six months ended 30 June 2020, the Group recorded a turnover of approximately HK\$247,104,000 (six months ended 30 June 2019: approximately HK\$269,294,000), representing a decrease of approximately 8.2% as compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin of approximately HK\$25,165,000 and 10.2% respectively for the six months ended 30 June 2020, representing increases of approximately HK\$8,109,000 and of 3.9% respectively as compared with the gross profit of approximately HK\$17,056,000 and gross profit margin of 6.3% in the first half year of 2019. Such increases were mainly contributed by the well control on production cost of modified starch and other biochemical products during the period.

Administrative expenses decreased by 5.2% from approximately HK\$10,849,000 in the first half year of 2019 to approximately HK\$10,284,000 for the corresponding period in this year. Such decrease is mainly due to the tighter cost control measures employed by the management.

Profit attributable to owners of the Company amounting to approximately HK\$77,000 for the six months ended 30 June 2020 as compared with loss of approximately HK\$5,547,000 for the corresponding period in last year. The turnaround from loss to profit was mainly attributed by the increase in gross profit mentioned above and the reversal of impairment loss of approximately HK\$2,181,000 on trade and bills receivables.

### Financial Resources and Position

As at 30 June 2020, the Group had net current liabilities of approximately HK\$109,960,000 (31 December 2019: approximately HK\$71,807,000) and cash and cash equivalents of approximately HK\$19,462,000 (31 December 2019: approximately HK\$5,409,000).

As at 30 June 2020, the current ratio of the Group was approximately 0.50 times (31 December 2019: approximately 0.58 times). The net debts (net of cash and cash equivalents) to total assets ratio of the Group was approximately 52.0% (31 December 2019: approximately 53.3%). Total borrowings of the Group amounting to approximately HK\$117,229,000, comprising secured bank loan of approximately HK\$47,171,000, loans from immediate holding company of approximately HK\$67,488,000 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 2020, the Group financed its operations mainly by internally generated resources and borrowings which include bank borrowings, loans from immediate holding company 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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\$17,435,000 (six months ended 30 June 2019: segment profits of approximately HK\$6,163,000). Such increase was mainly due to the well control on production cost of the modified starch and other biochemical products business. The business of general trading did not record any turnover and profit during the period (six months ended 30 June 2019: segment profit of approximately HK\$101,000).

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 2020 (30 June 2019: Nil).

## OTHER INFORMATION

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

As at 30 June 2020, 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	Beneficial owner	Long position	327,600,000	1.97%
Mr. Lam Ching Kui	Interest of controlled corporations	Long position	8,115,024,320 (Note)	48.91%

Note: Mr. Lam Ching Kui is the beneficial owner of Wai Chun Investment Fund 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 Wai Chun Investment Fund.

Other than as disclosed above, as at 30 June 2020, 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 2020, 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	Beneficial owner	327,600,000	1.97%
Lam Ching Kui	Interests of controlled corporations (Note 1)	8,115,024,320	48.91%
Wai Chun Investment Fund	Interest of controlled corporation (Note 1)	8,115,024,320	48.91%
Chinese Success Limited (Note 1)	Beneficial owner	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%
Chen Guanyu (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%

## OTHER INFORMATION

Notes:

- (1) Chinese Success Limited, which is wholly owned by Wai Chun Investment Fund, 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, is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund.
- (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.
- (3) These 1,286,400,000 shares of the Company were held by Spring Garden which is wholly owned by Chen Guanyu. For the purpose of SFO, Chen Guanyu 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 2020, 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 23 to the condensed consolidated financial statements.

### EMPLOYEES

As at 30 June 2020, the Group had a total of 160 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.



## OTHER INFORMATION

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 his 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 2020 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.

### **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 2020.

### **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 2020.

### **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 2020, 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, which is 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.

### 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. Li Jinyuan. The Audit Committee have reviewed the unaudited interim financial results of the Group for the six months ended 30 June 2020.

On behalf of the Board

**Wai Chun Bio-Technology Limited**

**Lam Ching Kui**

*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2020

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Turnover	4	247,104	269,294
Cost of sales		(221,939)	(252,238)
Gross profit		25,165	17,056
Other revenue		355	487
Selling expenses		(5,921)	(5,923)
Administrative expenses		(10,284)	(10,849)
Reversal of impairment loss (impairment loss), net		2,181	(1,080)
Gain on disposal of subsidiaries		–	67
Finance costs		(3,737)	(3,249)
Profit (loss) before tax		7,759	(3,491)
Income tax expense	5	–	(77)
Profit (loss) for the period	6	7,759	(3,568)
<b>Profit (loss) for the period attributable to:</b>			
– Owners of the Company		77	(5,547)
– Non-controlling interests		7,682	1,979
		7,759	(3,568)
<b>Earnings (loss) per share</b>	8	HK cents	HK cents
– Basic		0.00046	(0.03325)
– Diluted		0.00045	(0.03325)

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

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit (loss) for the period</b>	<b>7,759</b>	<b>(3,568)</b>
<b>Other comprehensive expenses</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(1,126)	(83)
Release of exchange differences upon disposal of subsidiaries	–	(1)
Total comprehensive expenses, net of tax	(1,126)	(84)
<b>Total comprehensive income (expenses) for the period</b>	<b>6,633</b>	<b>(3,652)</b>
<b>Total comprehensive income (expenses) attributable to:</b>		
– Owners of the Company	(498)	(5,591)
– Non-controlling interests	7,131	1,939
	<b>6,633</b>	<b>(3,652)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	51,795	49,931
Right-of-use assets	10	28,286	28,972
		<b>80,081</b>	78,903
<b>Current assets</b>			
Inventories		47,094	38,845
Trade and bills receivables	11	13,750	27,615
Deposits, prepayments and other receivables	12	27,804	25,393
Tax refundable		12	12
Bank balances and cash		19,462	5,409
		<b>108,122</b>	97,274
<b>Current liabilities</b>			
Trade payables	13	59,525	74,822
Accruals and other payables		31,387	33,478
Contract liabilities	14	9,941	5,122
Borrowings	15	49,741	55,659
Loans from the immediate holding company	16	67,488	–
		<b>218,082</b>	169,081
<b>Net current liabilities</b>		<b>(109,960)</b>	(71,807)
<b>Total assets less current liabilities</b>		<b>(29,879)</b>	7,096

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current liability</b>			
Loans from the ultimate holding company	16	–	43,608
<b>Net liabilities</b>		<b>(29,879)</b>	<b>(36,512)</b>
<b>Capital and reserves</b>			
Share capital – ordinary shares	17	41,477	41,477
Share capital – convertible preference shares	18	542	542
Reserves		(92,833)	(92,335)
Capital deficiency attributable to owners of the Company		(50,814)	(50,316)
Non-controlling interests		20,935	13,804
<b>Capital deficiency</b>		<b>(29,879)</b>	<b>(36,512)</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Share capital HK\$'000	Convertible preference shares HK\$'000	Share premium HK\$'000	Other reserve (Note) HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020 (audited)	41,477	542	209,982	6,906	63,092	960	1,548	(374,823)	(50,316)	13,804	(36,512)
Profit for the period	-	-	-	-	-	-	-	77	77	7,682	7,759
Other comprehensive expenses for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(575)	-	-	(575)	(551)	(1,126)
Transfer to statutory reserve	-	-	-	-	-	-	779	(779)	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	(575)	779	(702)	(498)	7,131	6,633
At 30 June 2020 (unaudited)	41,477	542	209,982	6,906	63,092	385	2,327	(375,525)	(50,814)	20,935	(29,879)
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)

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 2020

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>HK\$'000</b>	HK\$'000
Notes		<b>(Unaudited)</b>	(Unaudited)
<b>Net cash generated from operating activities</b>		<b>25,000</b>	6,071
<b>Investing activities</b>			
	Interest received	<b>14</b>	146
9	Purchase of property, plant and equipment	<b>(3,700)</b>	(2,342)
24	Disposal of subsidiaries	<b>–</b>	(22)
<b>Net cash used in investing activities</b>		<b>(3,686)</b>	(2,218)
<b>Financing activities</b>			
	Interest paid	<b>(1,426)</b>	(2,047)
	New borrowings raised	<b>14,349</b>	5,433
	Repayment of borrowings	<b>(19,538)</b>	(11,213)
	Increase in loans from the ultimate holding company	<b>1,229</b>	5,044
<b>Net cash used in financing activities</b>		<b>(5,386)</b>	(2,783)
	Net increase in cash and cash equivalents	<b>15,928</b>	1,070
	Effects of foreign exchange rate changes	<b>(1,875)</b>	6
	Cash and cash equivalents at beginning of the period	<b>5,409</b>	4,537
	Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>19,462</b>	5,613



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 1. GENERAL

The Company was 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 immediate holding company of the Company is Chinese Success Limited (“**Chinese Success**”), which is a private limited company incorporated in the British Virgin Islands; the ultimate holding company of the Company is Wai Chun Investment Fund (“**Wai Chun IF**”), which is a private limited company incorporated in the Cayman Islands. Its ultimate controlling party is Mr. Lam Ching Kui (“**Mr. Lam**”), 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 Bay, 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.

On 30 June 2020, the Company entered into a loan assignment deed with Wai Chun IF, Mr. Lam and Chinese Success. The Company agreed that both the loans from Wai Chun IF amounted to approximately HK\$46,181,000 and the amount due to Mr. Lam amounted to approximately HK\$8,296,000 are assigned to Chinese Success.

On 30 June 2020, Wai Chun Incorporation Limited (“**Wai Chun Incorp**”), a wholly owned subsidiary of the Company, entered into a loan assignment deed with Wai Chun Holdings Group Limited, Mr. Lam and Chinese Success. Wai Chun Incorp agreed that both the amount due to Wai Chun Holdings Group Limited amounted to approximately HK\$12,811,000 and the amount due to Mr. Lam amounted to approximately HK\$200,000 are assigned to Chinese Success.

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 28 August 2020.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 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 2019, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 December 2020. 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.

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 2019. 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 2019.

As at 30 June 2020, the Group had net current liabilities and net liabilities of approximately HK\$109,960,000 and HK\$29,879,000 respectively and also, the Group’s capital deficiency attributable to owners of the Company was approximately HK\$50,814,000. 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 2020, the Company has drawn down loan of approximately HK\$67,488,000 through its immediate holding Company, Chinese Success, and undrawn loan facilities of approximately HK\$82,512,000 granted by the ultimate holding company, Wai Chun IF;

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 2. BASIS OF PREPARATION (Continued)

- (ii) 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;
- (iii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangements; 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.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months from the date of this report, 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. APPLICATION OF NEW AND AMENDMENTS TO 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 to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in current period and/or on the disclosures set out in these 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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 4. SEGMENT INFORMATION (Continued)

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, gain on disposal of subsidiaries, central administration costs (including directors' salaries) and finance costs.

### Business segments

#### Segment revenue and results

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

#### Six months ended 30 June 2020

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue from contracts with customers within the scope of HKFRS 15				
External sales	247,104	-	-	247,104
Inter – segment sales	-	-	-	-
<b>Total</b>	<b>247,104</b>	<b>-</b>	<b>-</b>	<b>247,104</b>
Segment results	17,435	-		17,435
Central administration costs				(5,939)
Finance costs				(3,737)
Profit before tax				7,759
Income tax expense				-
Profit for the period				7,759

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 4. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

#### Segment revenue and results (Continued)

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)
Segment revenue from contracts with customers within the scope of HKFRS 15				
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>
Segment results	6,163	101		6,264
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				(3,568)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 4. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

#### Segment assets and liabilities

At 30 June 2020

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Assets</b>			
Segment assets	186,237	1,070	187,307
Unallocated assets			896
<b>Consolidated assets</b>			<b>188,203</b>
<b>Liabilities</b>			
Segment liabilities	(143,517)	(14,468)	(157,985)
Unallocated liabilities			(60,097)
<b>Consolidated liabilities</b>			<b>(218,082)</b>
<b>Geographical assets</b>			
Hong Kong			1,966
PRC			186,237
			<b>188,203</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 4. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

#### Segment assets and liabilities (Continued)

At 31 December 2019

	Modified starch and other biochemical products HK\$'000 (Audited)	General trading HK\$'000 (Audited)	Total HK\$'000 (Audited)
Assets			
Segment assets	174,782	1,131	175,913
Unallocated assets			264
Consolidated assets			176,177
Liabilities			
Segment liabilities	(146,612)	(12,451)	(159,063)
Unallocated liabilities			(53,626)
Consolidated liabilities			(212,689)
Geographical assets			
Hong Kong			1,395
PRC			174,782
			176,177

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 2020

## 4. SEGMENT INFORMATION (Continued)

### Other segment information

Six months ended 30 June 2020

	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	3,700	-	-	3,700
Depreciation of property, plant and equipment and right-of-use assets	2,400	-	-	2,400
Loss on write-off of property, plant and equipment	35	-	-	35
Reversal of impairment loss on trade and bills receivables	(2,181)	-	-	(2,181)

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 4. SEGMENT INFORMATION (Continued)

### Geographical information

For the six months ended 30 June 2020 and 2019, 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Hong Kong	-	20,888	262	262
PRC	247,104	248,406	79,819	78,641
	<b>247,104</b>	<b>269,294</b>	<b>80,081</b>	<b>78,903</b>

### Information on major customers

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	32,188	N/A <sup>1</sup>
Customer B	25,158	N/A <sup>2</sup>
Customer C	24,746	N/A <sup>1</sup>
Customer D	N/A <sup>1</sup>	50,524
Customer E	N/A <sup>1</sup>	47,377

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total turnover of the Group.

<sup>2</sup> Contributed no revenue for the period ended 30 June 2019.

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 2020

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	–	77

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 June 2019 and 2020. No provision for Hong Kong Profits Tax has been made as its subsidiaries of the Company in Hong Kong incurred tax loss for the six months ended 30 June 2019 and 2020.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A Company's subsidiary was exempted from PRC income taxes during 2019 and 2020. 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.

The provision for Macau Complementary Tax is calculated at 12% (six months ended 30 June 2019: 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 2019: MOP600,000 (equivalent to approximately HK\$583,000)) are exempted from Macau Complementary Tax.

At the end of current interim period, the Group has unused tax losses of approximately HK\$140,451,000 (31 December 2019: approximately HK\$149,251,000) 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 tax losses of these PRC subsidiaries as at 30 June 2020 amounted to approximately HK\$11,464,000 (31 December 2019: approximately HK\$20,264,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	221,468	252,095
Interest expenses	3,737	3,249
Reversal of impairment loss (impairment loss), net	(2,181)	1,080
Depreciation of property, plant and equipment	2,128	2,218
Depreciation of right-of-use assets	272	353
Staff costs (including directors' emoluments and retirement benefit costs)	3,924	3,994

## 7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 8. EARNINGS (LOSS) PER SHARE

### Basic earnings (loss) per share

The calculation of the basic earnings per share for six months ended 30 June 2020 is based on the Group's profit attributable to owners of the Company of approximately HK\$77,000 (six months ended 30 June 2019: loss attributable to owners of the Company of approximately HK\$5,547,000) and the number of 16,590,685,376 ordinary shares (six months ended 30 June 2019: 16,590,685,376 ordinary shares) in issue.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 8. EARNINGS (LOSS) PER SHARE (Continued)

### Diluted earnings (loss) per share

Diluted earnings (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 profit (loss) attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to share options and convertible preference shares. For share options, the calculation of diluted earnings per share in the current period does not assume the exercise of the share options because the exercise prices of those options were higher than the average market price of shares. For convertible preference shares, they are assumed to have been converted into ordinary shares and will have a dilutive effect. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 16,590,685,376 in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of convertible preference shares of 216,960,000 assumed the conversion of all dilutive convertible preference shares into ordinary shares.

The calculation of diluted loss per share for six months ended 30 June 2019 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.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$3,700,000 (for the year ended 31 December 2019: approximately HK\$12,953,000).

## 10. RIGHT-OF-USE ASSETS

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
At beginning of the period/year	<b>28,972</b>	30,331
Depreciation	<b>(272)</b>	(694)
Exchange differences	<b>(414)</b>	(665)
At end of the period/year	<b>28,286</b>	28,972

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade receivables	<b>18,218</b>	33,690
Bills receivables	<b>327</b>	901
	<b>18,545</b>	34,591
Less: Provision for impairment	<b>(4,795)</b>	(6,976)
Total	<b>13,750</b>	27,615

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. The 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 and bills receivables and the provision for impairment directly. The Group does not hold any collateral over these balances.

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 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
0-30 days	<b>9,867</b>	21,555
31-60 days	<b>1,281</b>	4,667
61-90 days	<b>174</b>	358
91-180 days	<b>224</b>	1,035
181-365 days	<b>2,204</b>	–
Total	<b>13,750</b>	27,615

The balance of trade and bills receivables included debtors (see below for aging analysis) who are past due as at the reporting date for which the Group has not provided for impairment due to no significant change in the creditworthiness of these debtors and, hence, the amounts are still considered recoverable. Trade and bills receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. The management of the Group have assessed the expected credit loss ("ECL") of all trade and bills receivables and made impairment when they considered as appropriate.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 11. TRADE AND BILLS RECEIVABLES (Continued)

**Aging of trade and bills receivables which are past due but not impaired**

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Overdue by: 1 to 90 days	<b>2,204</b>	–

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Balance at beginning of the period/year	<b>6,976</b>	5,692
Provision for impairment	–	1,496
Reversal of impairment	<b>(2,181)</b>	(212)
Balance at end of the period/year	<b>4,795</b>	6,976

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Prepayments for inventories	<b>19,238</b>	19,832
Other prepayments	<b>5,405</b>	3,267
Other receivables	<b>2,310</b>	1,364
Rental and utilities deposits	<b>851</b>	930
Total	<b>27,804</b>	25,393

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 2020

## 13. TRADE PAYABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade payables	<b>59,525</b>	74,822

The average credit period on purchases of goods ranges from 30 to 180 days (31 December 2019: 30 to 180 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe. The following is an aging analysis of trade payables based on the invoice date:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
0-30 days	<b>20,285</b>	27,306
31-60 days	<b>18,477</b>	31,341
61-90 days	<b>8,330</b>	12,988
91-180 days	<b>11,515</b>	2,078
Over 180 days	<b>918</b>	1,109
Total	<b>59,525</b>	74,822

## 14. CONTRACT LIABILITIES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Receipts in advance from sales of modified starch and other biochemical products	<b>9,941</b>	5,122

Note: The balance of contract liabilities as at 31 December 2019 was approximately HK\$5,122,000 of which approximately HK\$4,829,000 was recognised as revenue during the period.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 15. BORROWINGS

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Bank loans, secured	(i)	47,171	53,089
Loan from an independent third party, unsecured	(ii)	2,570	2,570
Total		49,741	55,659

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\$17,757,000 (31 December 2019: approximately HK\$18,228,000). All bank loans are denominated in Renminbi with interest rate at 4.79% (31 December 2019: 3.99% to 4.79%) per annum and repayable within one year.
- (ii) Bearing interest at 1% above Hong Kong Prime Rate per annum for both periods.

## 16. LOANS FROM THE ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY

Loans from the ultimate holding company were sub-ordinated in nature, unsecured, and bear interest at 6.25% for both periods. Loans from the immediate holding company were unsecured, interest-free and repayable on demand as of 30 June 2020.

## 17. SHARE CAPITAL – ORDINARY SHARES

	Number of ordinary shares of HK\$0.0025 each	Amount HK\$'000
<b>Authorised:</b>		
Balances as at 1 January 2019, 31 December 2019 and 30 June 2020	40,000,000,000	100,000
<b>Issued and fully paid:</b>		
Balance as at 1 January 2019, 31 December 2019 and 30 June 2020	16,590,685,376	41,477

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 18. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of convertible preference shares of HK\$0.0025 each	Amount HK\$'000
<b>Authorised:</b>		
Balance as at 1 January 2019, 31 December 2019 and 30 June 2020	816,000,000	2,040
<b>Issued and fully paid:</b>		
Balance as at 1 January 2019, 31 December 2019 and 30 June 2020	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.

## 19. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

At 30 June 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Within one year	584

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 19. OPERATING LEASE COMMITMENTS (Continued)

### The Group as lessee (Continued)

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.

## 20. PLEDGE OF ASSETS

Part of the Group's right-of-use assets in the PRC with carrying amounts of approximately HK\$17,757,000 have been pledged to secure the bank loans to the Group (31 December 2019: approximately HK\$18,228,000).

## 21. 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 2019.

There have been no changes in the risk management policies since 31 December 2019.

## 22. 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 22. RELATED PARTY TRANSACTIONS (Continued)

### (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
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)		
Oriental Success Ventures Limited	Interest expenses	–	1,122	Mr. Lam	Director
Wai Chun IF	Interest expenses	1,346	–	Mr. Lam	Director
Wai Chun Holdings Group Limited	Rental expenses	2,577	1,753	Mr. and Mrs. Lam	Director
Mrs. Lam	Employee's Salaries	183	180	Mr. Lam	Spouse of Director
Mr. Lam Ka Chun	Employee's Salaries	183	180	Mr. Lam	Son of Director

### (b) Outstanding balances with related parties

Details of the Group's balances of loans from the ultimate holding company/ immediate holding company as at the end of the reporting period are disclosed in Note 16 to the condensed consolidated financial statements.

Included in accruals and other payable are the following balances with related parties:

Name of related parties	Nature of balances	30 June 2020	31 December 2019
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
Mr. Lam	Payroll and welfare payables	–	5,391
Mrs. Lam	Payroll and welfare payables	686	503
Wai Chun Holdings Group Limited	Accrued rental expenses	–	10,025

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 22. 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	1,685	630
Defined contribution retirement plans	36	27
Total	1,721	657

## 23. 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 2019 and 30 June 2020, 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 2020

## 23. SHARE-BASED PAYMENT (Continued)

Movements of the Company's share options held by consultants and an employee during the period ended 30 June 2020 and the year ended 31 December 2019 are set out below:

Category of participants	Number of share options				Date of grant	Exercise period	Exercise price HK\$
	As at 1 January 2020	Granted	Exercised	As at 30 June 2020			
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

1,595,468,537

Category of participants	Number of share options				Date of grant	Exercise period	Exercise price HK\$
	As at 1 January 2019	Granted	Exercised	As at 31 December 2019			
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 year

1,595,468,537

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 23. 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 24. 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 Mr. Lam. 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	<hr/> 30
Net liabilities disposed of	<hr/> 66

### Gain on disposal of subsidiaries:

Consideration received	_*
Net liabilities disposed of	66
Realisation of translation reserves	<hr/> 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	<hr/> (22)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries	<hr/> (22)

\* Consideration received is HK\$1



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 25. EVENTS AFTER THE REPORTING PERIOD

### (a) Memorandum of understanding in respect of intended investment in projects related to coronavirus vaccines

On 8 July 2020, a subsidiary of the Company, as the intended investor, entered into the non-legally binding memorandum of understanding with 深圳市倚鋒投資管理企業(有限合夥), as the intended investee, which is a third party independent from the Company and is not a connected person, pursuant to which the proposed investor intends to invest in three biological projects related to three types of coronavirus vaccines.

### (b) Memorandum of understanding in respect of intended fund investment

On 9 July 2020, the Company has received a non-legally binding investment term sheet from GEM Global Yield LLC SCS (“**GEM Investment Fund**”) which is a third party independent from the Company and is not a connected person, pursuant to which the GEM Investment Fund has expressed interest to invest in the form of a share subscription facility in the Company. The total investment funding facility will be HK\$1,162,520,000.

### (c) Proposed issue of convertible bonds

On 28 July 2020, the Company entered into the subscription agreement with subscriber pursuant to which the subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue the convertible bonds in the principal amount of HK\$67,000,000. Based on the aggregate principal amount of the convertible bonds of HK\$67,000,000, the convertible bonds are convertible into a total of 3,045,454,545 conversion shares at the initial conversion price of HK\$0.022 per conversion share (subject to adjustments). The proposed issue of convertible bonds has not yet been completed up to the date of this report.

## 26. MAJOR NON-CASH TRANSACTION

Pursuant to the loan agreement deed between the Company, Wai Chun IF, Mr. Lam and Chinese Success and the loan agreement deed between Wai Chun Incorp, Wai Chun Holdings Group Limited, Mr. Lam and Chinese Success on 30 June 2020, the loans from the ultimate holding company of the Company of approximately HK\$67,488,000 were assigned to the immediate holding company of the Company.