



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0660)

Interim Report  
**2021**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Director

Lam Ching Kui

*(Chairman and Chief Executive Officer)*

### Independent Non-Executive Directors

Chan Cheuk Ho

Wan Bo

Hau Pak Man

## AUTHORISED REPRESENTATIVES

Lam Ching Kui

Ng Chun Pang (appointed on 5 May 2021  
and resigned on 10 May 2021)

Chiu Chun Tak (resigned on 30 April 2021)

## COMPANY SECRETARY

Ng Chun Pang (appointed on 5 May 2021  
and resigned on 10 May 2021)

Chiu Chun Tak (resigned on 30 April 2021)

## AUDIT COMMITTEE

Chan Cheuk Ho *(Chairman)*

Wan Bo

Hau Pak Man

## REMUNERATION COMMITTEE

Hau Pak Man *(Chairman)*

Lam Ching Kui

Chan Cheuk Ho

Wan Bo

## NOMINATION COMMITTEE

Lam Ching Kui *(Chairman)*

Chan Cheuk Ho

Wan Bo

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

ZHONGHUI ANDA CPA Limited

*Certified Public Accountants*

Unit 701

7th Floor, Citicorp Centre

18 Whitfield Road

Causeway Bay

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

## FINANCIAL REVIEW

### Financial Performance

For the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$287,873,000 (six months ended 30 June 2020: approximately HK\$247,104,000), representing an increase of 16.5% as compared with the corresponding period in last year. The Group recorded a gross profit and gross profit margin of approximately HK\$28,744,000 and 10.0% respectively for the six months ended 30 June 2021, representing an increase of approximately HK\$3,579,000 and a decrease of 0.2% respectively as compared with the gross profit of approximately HK\$25,165,000 and gross profit margin of 10.2% in the first half year of 2020. Such increase in gross profit was mainly contributed by the increase of sales of modified starch and other biochemical products during the period.

Administrative expenses increased by 35.7% from approximately HK\$10,284,000 in the first half year of 2020 to approximately HK\$13,960,000 for the corresponding period in this year. Selling expenses recorded an increase of 8.5% from approximately HK\$5,921,000 in the first half year of 2020 to approximately HK\$6,423,000 for the corresponding period in this year.

Loss attributable to owners of the Company amounting to approximately HK\$4,474,000 for the six months ended 30 June 2021 as compared with profit of approximately HK\$77,000 for the corresponding period in last year. The turnaround from profit to loss was mainly due to the increase in interest expense of the convertible bonds of approximately HK\$4,002,000 and the increase in income tax expense of approximately HK\$1,072,000.

### Financial Resources and Position

As at 30 June 2021, the Group had net current liabilities of approximately HK\$54,895,000 (31 December 2020: approximately HK\$59,742,000) and cash and cash equivalents of approximately HK\$4,127,000 (31 December 2020: approximately HK\$5,446,000).

As at 30 June 2021, the current ratio of the Group was approximately 0.67 times (31 December 2020: approximately 0.60 times). The net debts (net of cash and cash equivalents) to total assets ratio of the Group was approximately 64.6% (31 December 2020: approximately 66.0%).

# MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2021, the Group financed its operations mainly by internally generated resources and borrowings which include borrowings, loans from ultimate holding company and undrawn loan facilities from ultimate holding company and convertible bonds. The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. The Group conducted its business transactions principally in Renminbi and United States Dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchanges rates.

## 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 profit of approximately HK\$15,801,000 (six months ended 30 June 2020: segment profit of approximately HK\$17,435,000).

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 2021 (30 June 2020: Nil).

## OTHER INFORMATION

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

As at 30 June 2021, 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\$0.025 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	861,202,432 (Note)	51.24%

Note: Mr. Lam Ching Kui directly holds 28,004,000 shares and is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 833,198,432 shares.

Other than as disclosed above, as at 30 June 2021, 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 2021, 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\$0.025 each	
		Number of shares/ underlying shares held	Approximate percentage of issued share capital
Lam Ching Kui	Interests of controlled corporations (Note 1)	861,202,432	51.24%
Wai Chun Investment Fund	Interest of controlled corporation (Note 1)	833,198,432	49.57%
Chinese Success Limited (Note 1)	Beneficial owner	833,198,432	49.57%
Onward Global Investments Limited ("Onward Global") (Note 2)	Beneficial owner	131,856,000	7.95%
Wan Yuzhen (Note 2)	Interest of controlled corporation	131,856,000	7.95%
Chen Guanyu	Beneficial owner	114,787,370	6.92%
Fair Concourse Limited ("Fair Concourse") (Note 3)	Beneficial owner	141,270,400	8.51%
Mai Xiuqun (Note 3)	Interest of controlled corporation	141,270,400	8.51%
South Bright Holdings Limited ("South Bright") (Note 4)	Beneficial owner	101,723,370	6.13%
Wan Qianyi (Note 4)	Interest of controlled corporation	101,723,370	6.13%



## OTHER INFORMATION

Notes:

- (1) Chinese Success Limited, which is wholly owned by Wai Chun Investment Fund, holds 833,198,432 shares of the Company. Mr. Lam Ching Kui, the Chairman and Executive Director of the Company, directly holds 28,004,000 shares and is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Mr. Lam Ching Kui is the director of Chinese Success Limited and Wai Chun Investment Fund.
- (2) These 131,856,000 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 131,856,000 shares held by Onward Global.
- (3) The 141,270,400 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 141,270,400 shares held by Fair Concourse.
- (4) The 101,723,370 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 101,723,370 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 2021, 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 18 to the condensed consolidated financial statements.



## **OTHER INFORMATION**

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 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 2021 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 2021.

### **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 2021.

### **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 2021, 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.

## OTHER INFORMATION

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 Cheuk Ho (Chairman), Mr. Wan Bo and Mr. Hau Pak Man. The Audit Committee have reviewed the unaudited interim financial results of the Group for the six months ended 30 June 2021.

On behalf of the Board

**Wai Chun Bio-Technology Limited**

**Lam Ching Kui**

*Chairman and Chief Executive Officer*

Hong Kong, 31 August 2021

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>287,873</b>	247,104
Cost of sales		<b>(259,129)</b>	(221,939)
<b>Gross profit</b>		<b>28,744</b>	25,165
Other revenue and other gains and losses, net		<b>(320)</b>	355
Selling expenses		<b>(6,423)</b>	(5,921)
Administrative expenses		<b>(13,960)</b>	(10,284)
Reversal of impairment losses on receivables, net		<b>1,106</b>	2,181
Finance costs		<b>(6,284)</b>	(3,737)
<b>Profit before tax</b>		<b>2,863</b>	7,759
Income tax expense	5	<b>(1,072)</b>	–
<b>Profit for the period</b>	6	<b>1,791</b>	7,759
<b>(Loss) profit for the period attributable to:</b>			
– Owners of the Company		<b>(4,474)</b>	77
– Non-controlling interests		<b>6,265</b>	7,682
		<b>1,791</b>	7,759
<b>(Loss) earnings per share</b>	8	<b>HK cents</b>	HK cents (Restated)
– Basic and diluted		<b>(0.2684)</b>	0.0046

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

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>1,791</b>	7,759
<b>Other comprehensive income (expense):</b> <i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>1,097</b>	(1,126)
<b>Other comprehensive income (expense), net of tax</b>	<b>1,097</b>	(1,126)
<b>Total comprehensive income for the period</b>	<b>2,888</b>	6,633
<b>Total comprehensive income for the period attributable to:</b>		
– Owners of the Company	<b>(3,914)</b>	(498)
– Non-controlling interests	<b>6,802</b>	7,131
	<b>2,888</b>	6,633

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	61,672	61,093
Right-of-use assets	10	35,229	36,981
		<b>96,901</b>	98,074
<b>Current assets</b>			
Inventories		47,768	52,291
Trade and bills receivables	11	31,071	13,769
Deposits, prepayments and other receivables		28,273	18,728
Tax refundable		18	13
Bank balances and cash		4,127	5,446
		<b>111,257</b>	90,247
<b>Current liabilities</b>			
Trade payables	12	54,781	43,192
Accruals and other payables		22,283	25,058
Contract liabilities		2,550	3,260
Borrowings	13	78,952	73,762
Lease liabilities		3,699	3,589
Loans from the ultimate holding company	14	3,887	1,128
		<b>166,152</b>	149,989
<b>Net current liabilities</b>		<b>(54,895)</b>	(59,742)
<b>Total assets less current liabilities</b>		<b>42,006</b>	38,332

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		<b>30 June 2021</b>	31 December 2020
	Note	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,284</b>	3,161
Convertible bonds	15	<b>50,803</b>	48,140
		<b>52,087</b>	51,301
<b>NET LIABILITIES</b>		<b>(10,081)</b>	(12,969)
<b>Capital and reserves</b>			
Share capital – ordinary shares	16	<b>42,019</b>	41,477
Share capital – convertible preference shares	17	–	542
Reserves		<b>(83,421)</b>	(79,507)
Capital deficiency attributable to owners of the Company		<b>(41,402)</b>	(37,488)
Non-controlling interests		<b>31,321</b>	24,519
<b>CAPITAL DEFICIENCY</b>		<b>(10,081)</b>	(12,969)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company											
	Convertible		Share	Other	Convertible	Share	Translation	Statutory	Accumulated	Sub-	Non-	Total
	Share	preference										
capital	shares		(Note)	reserve	reserve	reserve	reserve	losses	HK\$'000	interests	HK\$'000	
	HK\$'000	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 2021 (audited)	41,477	542	209,982	6,906	19,341	63,092	2,596	4,876	(386,300)	(37,488)	24,519	(12,969)
Loss (profit) for the period	-	-	-	-	-	-	-	-	(4,474)	(4,474)	6,265	1,791
Other comprehensive income for the period:												
Exchange differences on translating of foreign operations	-	-	-	-	-	-	560	-	-	560	537	1,097
Total comprehensive income (expense) for the period	-	-	-	-	-	-	560	-	(4,474)	(3,914)	6,802	2,888
Lapsed of share option	-	-	-	-	-	(23,228)	-	-	23,228	-	-	-
Conversion of convertible preference shares	542	(542)	-	-	-	-	-	-	-	-	-	-
At 30 June 2021 (unaudited)	42,019	-	209,982	6,906	19,341	39,864	3,156	4,876	(367,546)	(41,402)	31,321	(10,081)
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 translating 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)

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 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Net cash (used in) generated from operating activities</b>		<b>(4,662)</b>	25,000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(214)	(3,700)
Interest received		–	14
<b>Net cash used in investing activities</b>		<b>(214)</b>	(3,686)
<b>Cash flows from financing activities</b>			
Borrowings raised		18,639	14,349
Repayment of borrowings		(19,240)	(19,538)
Increase in loans from the ultimate holding company		2,338	1,229
Interest paid		(1,474)	(1,426)
<b>Net cash generated from (used in) financing activities</b>		<b>263</b>	(5,386)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(4,613)</b>	15,928
Effects of foreign exchange rate changes		3,294	(1,875)
<b>Cash and cash equivalents at beginning of the period</b>		<b>5,446</b>	5,409
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>		<b>4,127</b>	19,462

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 1. GENERAL INFORMATION

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

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

In the opinion of the directors of the Company (the "Directors"), as at 30 June 2021, Chinese Success Limited, a company incorporated in the British Virgin Islands, is the immediate parent; Wai Chun Investment Fund ("Wai Chun IF"), a company incorporated in the Cayman Islands, is the ultimate parent and Mr. Lam Ching Kui ("Mr. Lam") is the ultimate controlling party of the Company, who is also the chairman of the Board, the chief executive officer and an executive director of the Company.

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.

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 2. BASIS OF PREPARATION (Continued)

The Group incurred a loss attributable to owners of the Company of approximately HK\$4,474,000 for the six months ended 30 June 2021 and as at 30 June 2021, the Group had net current liabilities and net liabilities of approximately HK\$54,895,000 and HK\$10,081,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have prepared the condensed consolidated financial statements based on going concern on the assumptions and measures that:

- (a) As at 30 June 2021, the Company has drawn down loan of approximately HK\$3,887,000 and undrawn loan facilities of approximately HK\$66,113,000 granted by Wai Chun IF, its ultimate holding company;
- (b) In addition to the loan facilities granted by Wai Chun IF as stated above, Mr. Lam has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the condensed consolidated financial statements. Also, Mr. Lam agreed not to request the Group, whenever necessary, to settle the related party balance recorded in borrowings amounting to approximately HK\$11,692,000 until all other third parties liabilities of the Group had been satisfied;
- (c) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and
- (d) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 2. BASIS OF PREPARATION (Continued)

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

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The application of these new and revised HKFRSs will not have material impact on the condensed consolidated financial statements of the Group. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and condensed consolidated financial position.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4. REVENUE AND SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include other income and other gains and losses, net, central administration costs, finance costs and income tax expenses. Segment assets do not include other assets for central administration purpose. Segment liabilities do not include convertible bonds and other liabilities for central administration purpose.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results

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

#### Six months ended 30 June 2021

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

Six months ended 30 June 2020

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	247,104	–	247,104
Segment profit	17,435	–	17,435
Other revenue and other gains and losses, net			355
Central administration costs			(6,294)
Finance costs			(3,737)
Profit before tax			7,759
Income tax expense			–
Consolidated profit for the period			7,759

The Group recognised revenue disaggregated from contracts with customers when their products are transferred to the customers at a point in time.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

At 30 June 2021

	Modified starch and other biochemical products HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Assets</b>			
Segment assets	202,258	126	202,384
Unallocated assets			<u>5,774</u>
<b>Consolidated total assets</b>			<u>208,158</u>
<b>Liabilities</b>			
Segment liabilities	(138,336)	(2,644)	(140,980)
Unallocated liabilities			<u>(77,259)</u>
<b>Consolidated total liabilities</b>			<u>(218,239)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

At 31 December 2020

	Modified starch and other biochemical products HK\$'000 (Audited)	General trading HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Assets</b>			
Segment assets	180,339	241	180,580
Unallocated assets			<u>7,741</u>
Consolidated total assets			<u>188,321</u>
<b>Liabilities</b>			
Segment liabilities	(130,300)	(2,211)	(132,511)
Unallocated liabilities			<u>(68,779)</u>
Consolidated total liabilities			<u>(201,290)</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 2021

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### Other segment information

#### Six months ended 30 June 2021

	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	214	-	-	214
Depreciation on property, plant and equipment and right-of-use assets	3,083	66	1,832	4,981
Reversal of impairment losses on receivables, net	(1,106)	-	-	(1,106)

#### 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 on property, plant and equipment and right-of-use assets	2,400	-	-	2,400
Loss on disposal of property, plant and equipment	35	-	-	35
Reversal of impairment losses on receivables, net	(2,181)	-	-	(2,181)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

For the six months ended 30 June 2021 and 2020, 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Hong Kong	–	–	5,049	6,944
PRC	287,873	247,104	91,852	91,130
	<b>287,873</b>	247,104	<b>96,901</b>	98,074

In preparing the geographical information, revenue is based on the locations of the customers.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### Information on major customers

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	N/A <sup>1</sup>	32,188
Customer B	57,153	25,158
Customer C	36,412	24,746
Customer D	33,013	N/A <sup>1</sup>

<sup>1</sup> These customers contributed less than 10% to the Group's revenue for the periods.

No other single customer contributes 10% or more to the Group's revenue for the periods.

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income tax expense comprises:		
Current income tax – PRC Enterprise		
Income Tax		
Provision for the period	1,072	–

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 5. INCOME TAX EXPENSE (Continued)

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

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

PRC subsidiaries are subject to PRC Enterprise Income Tax (“EIT”) at 25% for both periods, except for the following subsidiary of the Company which were taxed at the local applicable income tax rate.

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

The provision for Macau Complementary Tax was calculated at 12% of the estimated assessable profits for the six months ended 30 June 2020. Assessable profit of the first Macau Patacas (“MOP”) 600,000 (equivalent to approximately HK\$583,000) were exempted from Macau Complementary Tax.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories sold	258,871	221,468
Reversal of impairment losses on receivables, net	(1,106)	(2,181)
Depreciation on property, plant and equipment	2,952	2,128
Depreciation on right-of-use assets	2,029	272
Staff costs (including directors' emoluments and retirement benefit costs)	8,046	3,924

## 7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 8. (LOSS) EARNINGS PER SHARE

### Basic (loss) earnings per share

The calculation of basic (loss) earnings per share attributable to owners of the Company for the six months ended 30 June 2021 is based on the loss attributable to owners of the Company of approximately HK\$4,474,000 (six months ended 30 June 2020: profit attributable to owners of the Company of approximately HK\$77,000) and the weighted average number of ordinary shares of 1,666,979,786 (six months ended 30 June 2020: 1,659,068,537, as adjusted to reflect the share consolidation in November 2020) in issue during the period.

### Diluted (loss) earnings per share

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

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$214,000 (unaudited) (for the year ended 31 December 2020: approximately HK\$12,549,000 (audited)).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 10. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Right-of-use assets		
– Land use rights	<b>30,270</b>	30,190
– Land and buildings	<b>4,959</b>	6,791
	<b>35,229</b>	36,981

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

– Less than 1 year	<b>3,900</b>	3,900
– Between 1 and 2 years	<b>1,300</b>	3,250
	<b>5,200</b>	7,150

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 10. RIGHT-OF-USE ASSETS (Continued)

Disclosures of lease-related items: (Continued)

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation charge of right-of-use assets		
– Land use rights	<b>197</b>	272
– Land and buildings	<b>1,832</b>	–
	<b>2,029</b>	272
Lease interests	<b>183</b>	–
Expenses related to short-term leases	–	2,220
Total cash outflow for leases	<b>1,950</b>	2,220

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

Certain leasehold lands in the PRC recorded in right-of-use assets with carrying amount of approximately HK\$19,006,000 (unaudited) (31 December 2020: approximately HK\$17,804,000 (audited)) have been pledged to secure the bank loans and general banking facilities granted to the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Trade receivables	<b>34,557</b>	16,796
Bills receivable	–	882
	<b>34,557</b>	17,678
Less: Provision for loss allowance	<b>(3,486)</b>	(3,909)
Carrying amount	<b>31,071</b>	13,769

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 allowance, is as follows:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
0–30 days	<b>17,381</b>	11,083
31–60 days	<b>7,009</b>	1,167
61–90 days	<b>6,681</b>	1,150
91–180 days	–	369
Total	<b>31,071</b>	13,769

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 11. TRADE AND BILLS RECEIVABLES (Continued)

As at 30 June 2021, the trade and bills receivables of approximately HK\$31,071,000 (unaudited) (31 December 2020: approximately HK\$13,769,000 (audited)) are not past due and regarded as having low default risk by the management of the Company based on regular repayment history in the expected credit loss assessment.

Reconciliation of loss allowance for trade and bills receivables:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Balance at beginning of the period/ year	<b>3,909</b>	6,976
Increase in loss allowance	<b>19</b>	1,187
Reversal of allowance	<b>(442)</b>	(4,254)
	<hr/>	<hr/>
Balance at end of the period/year	<b>3,486</b>	3,909

## 12. TRADE PAYABLES

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

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
0-30 days	<b>16,547</b>	17,909
31-60 days	<b>7,793</b>	15,705
61-90 days	<b>28,765</b>	7,951
91-180 days	<b>297</b>	413
Over 180 days	<b>1,379</b>	1,214
	<hr/>	<hr/>
Total	<b>54,781</b>	43,192

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 13. BORROWINGS

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Bank loans	(i)	63,128	62,945
Loan from the controlling shareholder	(ii)	11,692	6,732
Loans from independent third parties	(ii)	4,132	4,085
Total		78,952	73,762

Notes:

- (i) The bank loans are secured by certain leasehold lands in the PRC recorded in right-of-use assets with aggregate carrying amount of approximately HK\$19,006,000 (unaudited) (31 December 2020: approximately HK\$17,804,000 (audited)). All bank loans are denominated in Renminbi and arranged at floating rates and exposed the Group to cash flow interest rate risk and interest bearing with average interest rate at 4.79% (unaudited) (31 December 2020: 4.35% to 4.79% (audited)) per annum and repayable within one year.
- (ii) The loans are unsecured, arranged at floating rates and exposed the Group to cash flow interest rate risk and interest bearing at 1% above Hong Kong Prime Rate per annum, repayable on demand and denominated in Hong Kong dollars.

## 14. LOANS FROM THE ULTIMATE HOLDING COMPANY

Loans from the ultimate holding company are unsecured, interest bearing at 6.25% per annum and repayable on demand as at 30 June 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 15. CONVERTIBLE BONDS

On 27 November 2020 (“Issue Date of CB”), the Company issued an unlisted, unguaranteed and unsecured convertible bond (the “CB”) with principal amount of HK\$67,000,000, to an independent third party.

The CB is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.025 each of the Company on or after 27 November 2020 up to and including 26 November 2023 at an initial conversion price of HK\$0.12 per share subject to adjustments upon occurrence of certain events. The maximum number of ordinary shares of the Company can be converted is 558,333,333 shares per principal amount of the CB of HK\$67,000,000, which also subject to adjustments upon occurrence of certain events.

Should the CB has not been converted, it will be redeemed at par on 27 November 2023 (“Maturity Date of CB”).

The CB has coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

The Company shall be entitled at its sole discretion, by giving not less than fourteen days ‘ notice to the bondholder, propose to the bondholder to redeem the outstanding CB (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB at any time after the Issue Date of CB up to and including the date falling fourteen days immediately before the Maturity Date of CB.

The interest charged is calculated by applying an effective interest rate of 17.44% to the liability component for the 36 month period since the CB was issued.

The Directors estimate the fair value of the liability component of the CB at 30 June 2021 to be approximately HK\$50,803,000 (unaudited) (31 December 2020: approximately HK\$48,140,000 (audited)). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

No conversion of CB of the Company was made during both periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 16. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Amount equivalent to HK\$'000
Authorised:		
Shares of the Company HK\$0.025 (At 1 January 2020: HK\$0.0025) each		
At 1 January 2020	40,000,000,000	100,000
Share consolidation (Note a)	<u>(36,000,000,000)</u>	<u>–</u>
At 31 December 2020, 1 January 2021 and 30 June 2021	<u>4,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Shares of the Company HK\$0.025 (At 1 January 2020: HK\$0.0025) each		
At 1 January 2020	16,590,685,376	41,477
Share consolidation (Note a)	<u>(14,931,616,839)</u>	<u>–</u>
At 31 December 2020 and 1 January 2021	1,659,068,537	41,477
Conversion of convertible preference shares (Note b)	<u>21,696,000</u>	<u>542</u>
At 30 June 2021	<u>1,680,764,537</u>	<u>42,019</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 16. SHARE CAPITAL – ORDINARY SHARES (Continued)

Notes:

- (a) At the extraordinary general meeting of the Company held on 25 November 2020, an ordinary resolution was duly passed under which every 10 existing issued and unissued shares of par value of HK\$0.0025 each in the share capital of the Company was consolidated into 1 share of par value of HK\$0.025 each (the "Share Consolidation") and the Share Consolidation has become effective on 27 November 2020.

The authorised share capital of ordinary shares of the Company was HK\$100,000,000 divided into 40,000,000,000 existing ordinary shares with a par value of HK\$0.0025 each before the Share Consolidation. After the Share Consolidation, the authorised share capital of ordinary shares of the Company became HK\$100,000,000 divided into 4,000,000,000 consolidated ordinary shares with a par value of HK\$0.025 each. There was no change on the amount of authorised and issued share capital of ordinary shares.

The total number of authorised ordinary shares of the Company decreased from 40,000,000,000 ordinary shares to 4,000,000,000 ordinary shares and the total number of issued ordinary shares decreased from 16,590,685,376 ordinary shares to 1,659,068,537 ordinary shares, after the Share Consolidation.

- (b) During the six months ended 30 June 2021, 21,696,000 of the convertible preference shares were converted into 21,696,000 ordinary shares of the Company by crediting the share capital of HK\$542,000.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 17. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of shares	Amount equivalent to HK\$'000
Authorised:		
Shares of the Company HK\$0.025 (At 1 January 2020: HK\$0.0025) each		
At 1 January 2020	816,000,000	2,040
Share consolidation (Note b)	(734,400,000)	–
	<hr/>	<hr/>
At 31 December 2020, 1 January 2021 and 30 June 2021	81,600,000	2,040
	<hr/>	<hr/>
Issued and fully paid:		
Shares of the Company HK\$0.025 (At 1 January 2020: HK\$0.0025) each		
At 1 January 2020	216,960,000	542
Share consolidation (Note b)	(195,264,000)	–
	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	21,696,000	542
Conversion of convertible preference shares	(21,696,000)	(542)
	<hr/>	<hr/>
At 30 June 2021	–	–
	<hr/>	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 17. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

(Continued)

Notes:

- (a) The convertible preference shares were non-redeemable, carry no voting right and each of the convertible preference share was convertible into one ordinary share at any time before the fifth anniversary of the issue date of convertible shares, i.e. 8 April 2016. The convertible preference shareholder was entitled to receive dividend pari passu with ordinary shareholders on an as converted basis.
- (b) As mentioned in note 16(a) about the Share Consolidation, the authorised share capital of preference shares of the Company was HK\$2,040,000 divided into 816,000,000 existing preference shares with a par value of HK\$0.0025 each before the Share Consolidation. After the Share Consolidation, the authorised share capital of preference shares of the Company became HK\$2,040,000 divided into 81,600,000 consolidated preference shares with a par value of HK\$0.025 each. There was no change on the amount of authorised and issued share capital of preference shares.

The total number of authorised preference shares of the Company decreased from 816,000,000 preference shares to 81,600,000 preference shares and the total number of issued preference shares decreased from 216,960,000 ordinary shares to 21,696,000 preference shares, after the Share Consolidation.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 18. SHARE-BASED PAYMENTS

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 2020 and 30 June 2021, the number of shares in respect of the options granted and remained outstanding under the Share Option Scheme was 159,546,853 (audited) and 89,582,907 (unaudited) respectively, representing 9.6% and 5.4% respectively 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.

Movements of the Company's share options held by consultants and an employee during the six months ended 30 June 2021 and the year ended 31 December 2020 are set out below:

Category of participants	Number of share options				As at 30 June 2021 (Unaudited)	Date of grant	Exercise period	Exercise price HK\$
	As at 1 January 2021 (Audited)	Granted (Unaudited)	Exercised (Unaudited)	Lapsed (Unaudited)				
	Consultants	53,693,261	-	-				
Employee	16,270,685	-	-	(16,270,685)	-	12 January 2016	12 January 2016 to 11 January 2021	0.686
Consultants	73,312,222	-	-	-	73,312,222	16 July 2018	16 July 2018 to 15 July 2023	0.720
Employee	16,270,685	-	-	-	16,270,685	16 July 2018	16 July 2018 to 15 July 2023	0.720
<b>Total</b>	<b>159,546,853</b>	<b>-</b>	<b>-</b>	<b>(69,963,946)</b>	<b>89,582,907</b>			

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 18. SHARE-BASED PAYMENTS (Continued)

Category of participants	Number of share options				Date of grant	Exercise period	Exercise price HK\$
	As at	Granted	Exercised	As at			
	1 January 2020 (Audited)			31 December 2020 (Audited)			
Consultants	53,693,261	-	-	53,693,261	12 January 2016	12 January 2016 to 11 January 2021	0.686
Employee	16,270,685	-	-	16,270,685	12 January 2016	12 January 2016 to 11 January 2021	0.686
Consultants	73,312,222	-	-	73,312,222	16 July 2018	16 July 2018 to 15 July 2023	0.720
Employee	16,270,685	-	-	16,270,685	16 July 2018	16 July 2018 to 15 July 2023	0.720
<b>Total</b>	<b>159,546,853</b>	<b>-</b>	<b>-</b>	<b>159,546,853</b>			

On 12 January 2016, the Company granted a total of 69,963,946 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 69,963,946 new shares of HK\$0.025 each at an exercise price of HK\$0.686 per share.

On 16 July 2018, the Company granted a total of 89,582,907 share options under the Share Option Scheme to consultants and an employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 16 July 2018 to 15 July 2023. The options will entitle the grantees to subscribe for a total of 89,582,907 new shares of HK\$0.025 each at an exercise price of HK\$0.72 per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 18. SHARE-BASED PAYMENTS (Continued)

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\$)	0.686	0.720
Share price at the date of grant (HK\$)	0.686	0.720
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.

## 19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

### Financial risk factors

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

The condensed consolidated financial 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 for the year ended 31 December 2020.

There have been no changes in the risk management policies since 31 December 2020.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 20. RELATED PARTY TRANSACTIONS

### (a) Related party transactions

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

	For six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on loans from the ultimate holding company	81	1,346
Interest expenses on loan from the controlling shareholder	287	186
Rental expenses on short-term lease to a related company*	–	2,577
Salaries to the spouse of a director who has control over the Group	513	183
Salaries to a son of a director who has control over the Group	270	183

\* A director of the Company, Mr. Lam, has control over the related company.

### (b) Related party balances

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

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Loan facilities granted by the ultimate holding company to the Group	70,000	70,000

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 20. RELATED PARTY TRANSACTIONS (Continued)

### (c) Key management personnel remuneration

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	1,562	1,685
Retirement benefit scheme contributions	36	36
Total	1,598	1,721

## 21. EVENTS AFTER THE REPORTING PERIOD

On 2 July 2021, Weifang Century-Light Biology Science Company Limited (“Weifang Century-Light”) entered into the Memorandum of Understanding (the “MOU”) with Qingdao Yunqi Technology Company Limited in respect of a possible disposal (the “Possible Disposal”) of the entire registered capital of Weifang Century-Light in Weifang Jia You You Zhi Company Limited, a company wholly-owned by Weifang Century-Light and which is indirectly held 51% of the registered capital by the Company.

Pursuant to the MOU, the parties expressed non-binding intention to effect, subject to due diligence, further negotiations between the parties on key terms such as pricing, entry into definitive documentation and regulatory approvals. If the Possible Disposal materialises, it will constitute a notifiable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company will make further announcements on this as and when appropriate or required under applicable laws and regulations.