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偉俊礦業集團有限公司\*

Wai Chun Mining Industry Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0660)

## 2018 ANNUAL RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (“**Directors**”) of Wai Chun Mining Industry Group Company Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 together with the comparative figures for 2017 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Turnover	4	480,852	512,133
Cost of sales		<u>(465,330)</u>	<u>(499,203)</u>
Gross profit		15,522	12,930
Other revenue		7,032	1,605
Selling expenses		(7,456)	(7,013)
Administrative expenses		(22,716)	(19,009)
Equity-settled share-based payment		(39,864)	–
Impairment losses, net of reversal	6	537	(4,237)
Finance costs	5	<u>(6,060)</u>	<u>(4,907)</u>
Loss before tax		(53,005)	(20,631)
Income tax expense	7	<u>(149)</u>	<u>(111)</u>
Loss for the year	8	<u><u>(53,154)</u></u>	<u><u>(20,742)</u></u>

\* For identification purposes only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 31 December 2018

	Note	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
– Owners of the Company		<b>(53,617)</b>	(17,399)
– Non-controlling interests		<b>463</b>	(3,343)
		<u><b>(53,154)</b></u>	<u>(20,742)</u>
<b>Loss per share</b>	<i>10</i>	<i>HK cents</i>	<i>HK cents</i>
– Basic		<u><b>(0.32)</b></u>	<u>(0.11)</u>
– Diluted		<u><b>(0.32)</b></u>	<u>(0.11)</u>

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

For the year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(53,154)</b>	<b>(20,742)</b>
<b>Other comprehensive income</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	<u>26</u>	<u>556</u>
Other comprehensive income, net of income tax	<u>26</u>	<u>556</u>
<b>Total comprehensive expense for the year</b>	<b><u>(53,128)</u></b>	<b><u>(20,186)</u></b>
<b>Total comprehensive income (expense) attributable to:</b>		
– Owners of the Company	<b>(53,603)</b>	<b>(17,116)</b>
– Non-controlling interests	<u>475</u>	<u>(3,070)</u>
	<b><u>(53,128)</u></b>	<b><u>(20,186)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		42,728	42,695
Prepaid land lease payments		29,635	32,004
		<u>72,363</u>	<u>74,699</u>
<b>Current assets</b>			
Inventories		28,490	25,969
Prepaid land lease payments		696	735
Trade and bills receivables	11	22,140	22,518
Deposits, prepayments and other receivables		18,509	14,096
Financial assets at fair value through profit or loss		–	3,567
Bank balances and cash		4,537	5,822
		<u>74,372</u>	<u>72,707</u>
<b>Current liabilities</b>			
Trade payables	12	62,570	61,633
Accruals and other payables		27,010	22,846
Contract liabilities		6,241	–
Tax payables		46	61
Amounts due to a non-controlling shareholder of a subsidiary		–	9,903
Borrowings	13	62,565	59,928
		<u>158,432</u>	<u>154,371</u>
<b>Net current liabilities</b>		<u>(84,060)</u>	<u>(81,664)</u>
<b>Total assets less current liabilities</b>		<u>(11,697)</u>	<u>(6,965)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 31 December 2018*

	<i>Note</i>	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
<b>Non-current liability</b>			
Loans from the ultimate holding company		<u>33,586</u>	<u>25,054</u>
<b>Net liabilities</b>		<u><b>(45,283)</b></u>	<u>(32,019)</u>
<b>Capital and reserves</b>			
Share capital – ordinary shares	<i>16</i>	<b>41,477</b>	41,477
Share capital – convertible preference shares		<b>542</b>	542
Reserves		<u><b>(89,064)</b></u>	<u>(75,325)</u>
Capital deficiency attributable to owners of the Company		<b>(47,045)</b>	(33,306)
Non-controlling interests		<u><b>1,762</b></u>	<u>1,287</u>
Capital deficiency		<u><b>(45,283)</b></u>	<u>(32,019)</u>

## 1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In the opinion of the Directors of the Company, the ultimate holding company of the Company is Oriental Success Ventures Limited (“**Oriental Success**”), which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lam Ching Kui (“**Ultimate Controlling Party**”), who is the chairman of the Board of directors and an executive director of the Company. The address of the registered office of the Company is P.O. Box 31119, Grand Pavilion, Hibiscus 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.

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.

The 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 OF CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018, the Group incurred a net loss attributable to the owners of the Company of approximately HK\$53,617,000 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$84,060,000 and HK\$45,283,000 respectively, and also, the Group’s capital deficiency attributable to owners of the Company was approximately HK\$47,045,000. 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 implemented various measures as follow:

- (i) As at 31 December 2018, the Company has drawn down loan of approximately HK\$33,586,000 and undrawn loan facilities of approximately HK\$97,414,000 granted by Oriental Success, its ultimate holding company, which is provided on a sub-ordinated basis, i.e. Oriental Success will not demand the Company for repayment of such loans until all the other liabilities of the Group had been satisfied;
- (ii) In addition to the loan facilities granted by Oriental Success as stated above, the Ultimate Controlling Party has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving these consolidated financial statement;
- (iii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund raising arrangement; and
- (iv) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the coverage period to 31 March 2020 taking into account the impact of 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 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 consolidated financial statements.

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

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

#### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied for the first time in the current year the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

#### **3.1 Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments**

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

### 3.1.1 Effect arising from initial application of HKFRS 9

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and bills receivables and measures the lifetime ECL on each debtor individually based on the present value of the difference between the contractual cash flows that are due to the Group and the cashflows that the Group expects to receive, with the consideration of forward looking information.

Based on the assessment by the management of the Company, the ECL on financial assets at amortised cost and mandatorily at FVTPL is insignificant and therefore it did not result in an adjustment of opening accumulated losses.

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The table below explains the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39 HK\$'000	New carrying amount under HKFRS 9 HK\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	Designated as at FVTPL	Mandatorily at FVTPL	3,567	3,567
Trade and bills receivables	Loan and receivables	Amortised cost	22,518	22,518
Deposits and other receivables	Loan and receivables	Amortised cost	8,377	8,377
Bank balances and cash	Loan and receivables	Amortised cost	5,822	5,822
			<hr/>	<hr/>
Total financial assets			40,284	40,284
			<hr/> <hr/>	<hr/> <hr/>



### 3.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

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

#### 3.2.1 Effect arising from initial application of HKFRS 15

“Receipts in advance from customers” in relation to deposits or payments received in advance for manufacture and sale of modified starch and other biochemical products, which was previously included in “Other payables and accruals” has been reclassified as “Contract liabilities”.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Carrying amounts under HKFRS 15 at 1 January 2018 <i>HK\$'000</i>
<b>Current liabilities</b>			
Accruals and other payables	22,846	(8,159)	14,687
Contract liabilities	–	8,159	8,159

The following tables summarise the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Amounts without application of HKFRS 15 <i>HK\$'000</i>
<b>Current liabilities</b>			
Accruals and other payables	27,010	6,241	33,251
Contract liabilities	6,241	(6,241)	–

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

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

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendments to HKFRS 3	Definition of a Business <sup>5</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>2</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective date to be determined

<sup>5</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have any material impact on the Group's consolidated financial statements in the foreseeable future.

## 4. SEGMENT INFORMATION

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

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

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

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

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

## Business segments

### Segment revenues and results

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

#### For the year ended 31 December 2018

	Modified starch and other biochemical products <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>442,961</u>	<u>37,891</u>	<u>480,852</u>
Segment results	<u>4,025</u>	<u>184</u>	<u>4,209</u>
Other revenue			2,548
Central administration costs			(13,838)
Equity-settled share-based payment			(39,864)
Finance costs			<u>(6,060)</u>
Loss before tax			(53,005)
Income tax expense			<u>(149)</u>
Loss for the year			<u>(53,154)</u>

#### For the year ended 31 December 2017

	Modified starch and other biochemical products <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>476,290</u>	<u>35,843</u>	<u>512,133</u>
Segment results	<u>(4,666)</u>	<u>185</u>	<u>(4,481)</u>
Other revenue			1,456
Central administration costs			(12,699)
Finance costs			<u>(4,907)</u>
Loss before tax			(20,631)
Income tax expense			<u>(111)</u>
Loss for the year			<u>(20,742)</u>

**Segment assets and liabilities**

At 31 December 2018

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

At 31 December 2017

	<b>Modified starch and other biochemical products HK\$'000</b>	<b>General trading HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Assets</b>			
Segment assets	145,827	1,229	147,056
Unallocated assets			<u>350</u>
Consolidated assets			<u><u>147,406</u></u>
<b>Liabilities</b>			
Segment liabilities	(143,201)	(2,931)	(146,132)
Unallocated liabilities			<u>(33,293)</u>
Consolidated liabilities			<u><u>(179,425)</u></u>
<b>Geographical assets</b>			
Hong Kong			1,573
Macau			6
PRC			<u>145,827</u>
			<u><u>147,406</u></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.

#### Other segment information

##### For the year ended 31 December 2018

	Modified starch and other biochemical products <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to property, plant and equipment	6,563	–	–	6,563
Depreciation and amortisation	4,209	135	–	4,344
Impairment losses, net of reversal	(537)	–	–	(537)
Loss on disposal of property, plant and equipment	238	–	–	238
Reversal of write-down of inventories	(4,484)	–	–	(4,484)

##### For the year ended 31 December 2017

	Modified starch and other biochemical products <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to property, plant and equipment	8,270	4	–	8,274
Depreciation and amortisation	4,411	135	–	4,546
Impairment losses, net of reversal	4,214	23	–	4,237
Reversal of write-down of inventories	(149)	–	–	(149)

#### Geographical information

For the years ended 31 December 2018 and 2017, 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		Non-current assets	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	37,891	35,843	396	531
PRC	442,961	476,290	71,967	74,168
	<u>480,852</u>	<u>512,133</u>	<u>72,363</u>	<u>74,699</u>

## 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:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A	<b>98,147</b>	125,703
Customer B <sup>1</sup>	N/A	54,918
Customer C	<b>92,950</b>	N/A

<sup>1</sup> Customer B contributed no revenue for the year ended 31 December 2018.

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

## 5. FINANCE COSTS

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interests on:		
– Bank loans and bank overdrafts	<b>3,769</b>	3,394
– Loans from the ultimate holding company	<b>1,884</b>	1,251
– Short-term loan from an independent third party	<b>161</b>	160
– Bills payables	<b>246</b>	102
	<hr/>	<hr/>
Total	<b>6,060</b>	4,907

## 6. IMPAIRMENT LOSSES, NET OF REVERSAL

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Impairment loss on trade and bills receivables	–	3,591
Impairment loss on deposit, prepayments and other receivables	<b>116</b>	646
Reversal of impairment loss on trade and bills receivables	<b>(312)</b>	–
Reversal of impairment loss on deposit, prepayments and other receivables	<b>(341)</b>	–
	<hr/>	<hr/>
Total	<b>(537)</b>	4,237

## 7. INCOME TAX EXPENSE

<b>2018</b>	2017
<b><i>HK\$'000</i></b>	<i>HK\$'000</i>

The income tax expense comprises:

Current income tax:

PRC Enterprise Income Tax	<b>149</b>	111
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On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

The provision for Macau Complementary Tax is calculated at 12% (2017: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas (“MOP”) 600,000 (equivalent to approximately \$583,000) (2017: MOP600,000 (equivalent to approximately \$588,000)) are exempted from Macau Complementary Tax.

The income tax expense for the years can be reconciled to the loss before income tax per the consolidated statement of profit or loss as follows:

<b>2018</b>	2017
<b><i>HK\$'000</i></b>	<i>HK\$'000</i>

Loss before income tax	<b>(53,005)</b>	(20,631)
Tax at the Hong Kong profits tax rate of 16.5% (2017: 16.5%)	<b>(8,746)</b>	(3,404)
Effect of different tax rates of subsidiaries in other jurisdictions	<b>70</b>	(589)
Tax effect of expenses not deductible for tax purpose	<b>8,179</b>	2,198
Tax effect of income not taxable for tax purpose	<b>(504)</b>	(28)
Tax effect of deductible temporary differences not recognised	<b>10</b>	6
Tax effect on tax reduction	<b>(10)</b>	(10)
Tax effect of tax losses not recognised	<b>1,150</b>	1,938
Income tax expense for the year	<b>149</b>	111

## 8. LOSS FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	500	500
Cost of inventories recognised as an expense	465,330	499,203
Impairment losses, net of reversal	(537)	4,237
Reversal of write-down of inventories	(4,484)	(149)
Depreciation on property, plant and equipment	3,619	3,841
Loss on disposal of property, plant and equipment	238	–
Equity-settled share-based payment	39,864	–
Amortisation of prepaid land lease payments	725	705
Staff costs (including Directors' emoluments and retirement benefit costs)	<u>5,727</u>	<u>6,772</u>

## 9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period (2017: HK\$Nil).

## 10. LOSS PER SHARE

### (a) Basic loss per share

The calculation of the basic loss per share is based on loss attributable to owners of the Company of approximately HK\$53,617,000 (2017: approximately HK\$17,399,000) and the number of 16,590,685,376 ordinary shares (2017: weighted average number of 16,292,603,184 ordinary shares) in issue.

	2018 <i>Number of shares</i>	2017 <i>Number of shares</i>
<b>Number of ordinary shares</b> <b>(2017: Weighted average number of ordinary shares)</b>		
Issued ordinary shares at 1 January	16,590,685,376	16,270,685,376
Effect of conversion of convertible preference shares	<u>–</u>	<u>21,917,808</u>
Number of ordinary shares (2017: Weighted average number of ordinary shares) at 31 December	<u>16,590,685,376</u>	<u>16,292,603,184</u>



**(b) Diluted loss per share**

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

The Company has dilutive potential ordinary shares attributable to share options and convertible preference shares. The calculation of diluted loss per share in the current year 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 same as the basic loss per share.

**11. TRADE AND BILLS RECEIVABLES**

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	<b>27,646</b>	35,547
Bills receivables	<b>186</b>	–
	<hr/>	<hr/>
Less: Provision for impairment	<b>27,832</b> <b>(5,692)</b>	35,547 (13,029)
	<hr/>	<hr/>
Total	<b>22,140</b>	22,518
	<hr/> <hr/>	<hr/> <hr/>

The Group allows average credit period of 30 to 180 days to its customers. Receivables that were current relate to customers for whom there was no recent history of default. As at 31 December 2018, the Group has assessed the recoverability of the receivables past due and made a provision for impairment. 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 ageing analysis of trade and bills receivables based on the invoice dates and net of provision for impairment, as at the reporting date, is as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0-30 days	<b>14,515</b>	10,322
31-60 days	<b>4,870</b>	6,471
61-90 days	<b>310</b>	2,032
91-180 days	<b>2,445</b>	3,693
	<hr/>	<hr/>
Total	<b>22,140</b>	22,518
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2018, included in the trade and bills receivables were an aggregate amount of HK\$22,140,000 which are not past due and regarded as having low default risk by the management of the Company based on regular repayment history in the ECL assessment.

The management of the Group have assessed the ECL of all trade and bills receivables as insignificant and therefore it did not result in an impairment allowance for the current year.

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At 1 January	<b>13,029</b>	9,438
Provision for impairment	–	3,591
Reversal of impairment	<b>(312)</b>	–
Write-off as uncollectible	<b>(7,025)</b>	–
	<hr/>	<hr/>
At 31 December	<b>5,692</b>	13,029
	<hr/> <hr/>	<hr/> <hr/>

No trade receivables were past due but not impaired in both years.

## 12. TRADE PAYABLES

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	<b>62,570</b>	61,633
	<hr/> <hr/>	<hr/> <hr/>

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 following is an ageing analysis of trade payables based on the invoice dates:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0-30 days	<b>16,413</b>	18,367
31-60 days	<b>31,188</b>	2,746
61-90 days	<b>3,420</b>	39,084
91-180 days	<b>9,173</b>	360
Over 180 days	<b>2,376</b>	1,076
	<hr/>	<hr/>
Total	<b>62,570</b>	61,633
	<hr/> <hr/>	<hr/> <hr/>

## 13. BORROWINGS

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank loans, secured	<i>(a)</i>	<b>59,995</b>	57,358
Loan from an independent third party, unsecured	<i>(b)</i>	<b>2,570</b>	2,570
		<hr/>	<hr/>
Total		<b>62,565</b>	59,928
		<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) It was secured by an independent third party and the pledge of the prepaid land lease payments with carrying amounts of approximately HK\$19,078,000 (2017: approximately HK\$20,587,000). All bank loans are denominated in Renminbi with variable interest rates from 4.35% to 5.22% (2017: 4.1% to 5.0%) per annum.
- (b) Bearing interest at 1% above Hong Kong Prime Rate per annum.

## 14. OPERATING LEASE COMMITMENTS

### The Group as lessee

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Lease payments in respect of rented premises paid under operating leases during the year	<u>3,689</u>	<u>3,388</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	<u>591</u>	<u>584</u>

Operating lease payments represent rental payable by the Group for its office premises in Hong Kong. Leases and rentals are negotiated and fixed respectively for an average term of two years.

## 15. PLEDGE OF ASSETS

The Group's prepaid land lease in the PRC payments with carrying amount of approximately HK\$19,078,000 (2017: approximately HK\$20,587,000) has been pledged to secure the bank loans and general banking facilities granted to the Group.

## 16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.0025 each	Amount <i>HK\$'000</i>
<b>Authorised:</b>		
Balance as at 1 January 2017, 31 December 2017, and 31 December 2018	<u>40,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Balance as at 1 January 2017	16,270,685,376	40,677
Conversion of convertible preference shares	<u>320,000,000</u>	<u>800</u>
Balance as at 31 December 2017, 1 January 2018 and 31 December 2018	<u>16,590,685,376</u>	<u>41,477</u>

## 17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

## **EXTRACTS FROM INDEPENDENT AUDITOR’S REPORT**

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2018.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material uncertainty related to going concern**

The accompanying consolidated financial statements for the year ended 31 December 2018 have been prepared assuming that the Group will continue as a going concern. We draw attention to Note 2 to the consolidated financial statements which indicate that the Group incurred a loss attributable to the owners of the Company of approximately HK\$53,617,000 for the year ended 31 December 2018, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$84,060,000 and HK\$45,283,000 respectively, and also, the Group’s capital deficiency attributable to owners of the Company amounted to was approximately HK\$47,045,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Management’s arrangements to address the going concern issue are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

## **FINANCIAL REVIEW**

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK\$480,852,000 from operations (2017: approximately HK\$512,133,000), representing an decrease of approximately 6.1% as compared to that of 2017. The Group recorded a gross profit and gross profit margin of approximately HK\$15,522,000 (2017: approximately HK\$12,930,000) and 3.2% (2017: 2.5%) respectively, representing increase of approximately 20% and increase of 0.7% respectively as compared to 2017.

Administrative expenses increased by 19.5% from approximately HK\$19,009,000 in 2017 to approximately HK\$22,716,000 in current year. Selling expenses recorded an increase of 6.3% from approximately HK\$7,013,000 in 2017 to approximately HK\$7,456,000 in current year.

Loss attributable to owners of the Company for the year amounted to approximately HK\$53,617,000 (2017: approximately HK\$17,399,000). The increase in the loss was mainly due to the share based payment expenses of approximately HK\$39,864,000 recognised for the 1,595,468,537 share options granted under the Company’s share option scheme on 16 July 2018.

## **Modified starch and other biochemical products business**

The segment has recorded a turnover approximately HK\$442,961,000 (2017: approximately HK\$476,290,000) during the year. Although a decrease in market demand has caused a slight decrease in turnover, the segment has generated a segment profit approximately HK\$4,025,000 as opposed to the segment loss in 2017 approximately HK\$4,666,000. The turnaround to profit from a loss position is mainly due to the well control on both production cost and operating cost. Therefore, turnover has decreased by 7% while segment profit has increased by 186% when compared that to 2017.

## **General trading business**

The general trading business recorded a revenue of approximately HK\$37,891,000 (2017: approximately HK\$35,843,000) and a segmental profit of approximately HK\$184,000 in 2018 (2017: a segmental profit of approximately HK\$185,000) respectively.

## **Financial Resources and Position**

As at 31 December 2018, the Group had net current liabilities of approximately HK\$84,060,000 (2017: approximately HK\$81,664,000) and cash and cash equivalents of approximately HK\$4,537,000 (2017: approximately HK\$5,822,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As at 31 December 2018, the current ratio of the Group was approximately 0.47 times (2017: approximately 0.47 times).

Total debts of the Group amounted to approximately HK\$96,151,000 (2017: approximately HK\$94,885,000), comprising borrowings of approximately HK\$62,565,000 (2017: approximately HK\$59,928,000), loans from the ultimate holding company of approximately HK\$33,586,000 (2017: approximately HK\$25,054,000) and amounts due to a non-controlling shareholder of a subsidiary of approximately HK\$Nil (2017: approximately HK\$9,903,000). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing at prevailing market interest rates. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 62.4% (2017: approximately 60.4%), representing an increase of approximately 3.3% as compared to 2017.

The Group had future minimum lease payments under a non-cancellable operating lease in respect of rented premises amounting to approximately HK\$591,000 (2017: approximately HK\$584,000). On the basis of the undrawn loan facilities of approximately HK\$97,414,000, granted by its ultimate holding company, Oriental Success Ventures Ltd (“**Oriental Success**”), which will be provided on a subordinated basis, the Directors believe that the Group has sufficient financial resources for its operations. The Directors will remain cautious in the Group's liquidity management.

## **Foreign Currency Fluctuation**

For the year ended 31 December 2018, the Group conducted its business transactions principally in Renminbi and US dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchange rates. Accordingly, the Directors considered that the foreign exchange exposure is relatively limited and no hedging of exchange risk is required. As an internal policy, the Group continues to implement a prudent policy on financial management policy and does not participate in any high risk speculative activities. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures when needed.

## **Pledge of Assets and Contingent Liabilities**

As at 31 December 2018, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 31 December 2018, the Group's prepaid land lease payments with carrying amount of approximately HK\$19,078,000 (2017: approximately HK\$20,587,000) were pledged to secure the bank borrowings.

## **Dividend**

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2018.

## **BUSINESS REVIEW AND OUTLOOK**

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

The business of manufacture and sales of modified starch, and other biochemical products recorded segment profit of approximately HK\$4,025,000 (2017: segment loss of approximately HK\$4,666,000). The turnaround to profit from a segment loss position is mainly due to well control on both production cost and operating cost. The business of general trading recorded segment profit of approximately HK\$184,000 during the year (2017: a segment profit of approximately HK\$185,000).

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

In order to ensure the Group's financial ability to operate as a going concern, the Directors of the Company 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.

## **OTHER INFORMATION**

### **Employees**

As at 31 December 2018, the Group had a total of 160 employees, the majority of whom are situated in the PRC. In addition to offer competitive remuneration packages to employees, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced 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 Directors. No Director, or any of his associates, and executive, is involved in dealing his own remuneration.

### **Material Acquisition and Disposal of Subsidiaries**

There was no material acquisition and disposal of subsidiaries for the year ended 31 December 2018.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

### **Code on Corporate Governance Practices**

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules as its own code on corporate governance practices. The Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company complied with the code provisions as set out in the Code throughout the year ended 31 December 2018 except that under code provision A.2.1, 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 is ensured by the operation of the Board which comprised of experienced and high caliber individuals with sufficient number thereof being independent non-executive directors.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**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 throughout the year ended 31 December 2018.

## **Audit Committee**

The Company has an audit committee (the “**Audit Committee**”) which was established 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. A meeting of the Audit Committee was held to review the Group’s audited consolidated financial statements for the year ended 31 December 2018, in conjunction with the Group’s external auditor, HLM CPA Limited.

## **Scope of Work of HLM CPA Limited**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2018 have been agreed by the Group’s auditors, HLM CPA Limited (the “**Auditor**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on the preliminary announcement.

## **Appreciation**

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the year. I would also like to express my appreciation to the continuous support of our shareholders and investors.



## **PUBLICATION OF ANNUAL RESULTS AND 2018 ANNUAL REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.0660.hk](http://www.0660.hk)). The 2018 annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Wai Chun Mining Industry Group Company Limited**  
**LAM Ching Kui**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises:

*Executive Director:*

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

*Independent Non-executive Directors:*

CHAN Chun Wai, Tony

HAU Pak Man

TO Yan Ming, Edmond