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: 660)

2019 RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Wai Chun Bio-Technology Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

FINANCIAL HIGHLIGHTS

- The Group's turnover for the year amounting to approximately HK$579,231,000, representing an increase of approximately 20.5% from approximately HK$480,852,000 in 2018.

- The overall gross profit margin of the Group for the year increased to approximately 8.5% from approximately 3.2% in 2018.

- The turnaround of loss of approximately HK$53,154,000 for the year of 2018 to profit of approximately HK$8,988,000 for current year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Turnover	*4*	**579,231**	480,852
Cost of sales		**(530,204)**	(465,330)
Gross profit		**49,027**	15,522
Other revenue		**1,375**	7,032
Selling expenses		**(11,745)**	(7,456)
Administrative expenses		**(21,370)**	(22,716)
Equity-settled share-based payment		**–**	(39,864)
Gain on disposal of subsidiaries		**67**	–
(Provision) reversal of impairment losses, net	*5*	**(2,282)**	537
Finance costs	*6*	**(6,009)**	(6,060)
Profit (loss) before tax		**9,063**	(53,005)
Income tax expense	*7*	**(75)**	(149)
Profit (loss) for the year	*8*	**8,988**	(53,154)
Profit (loss) attributable to:			
– Owners of the Company		**(3,159)**	(53,617)
– Non-controlling interests		**12,147**	463
		8,988	(53,154)
Loss per share	*9*	***HK cents***	*HK cents*
– Basic and diluted		**(0.02)**	(0.32)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit (loss) for the year	**8,988**	(53,154)
Other comprehensive (expense) income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of financial statements of foreign operations	**(217)**	26
Other comprehensive (expense) income, net of income tax	**(217)**	26
Total comprehensive income (expense) for the year	**8,771**	(53,128)
Total comprehensive income (expense) attributable to:		
– Owners of the Company	**(3,271)**	(53,603)
– Non-controlling interests	**12,042**	475
	8,771	(53,128)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**49,931**	42,728
Prepaid land lease payments		**–**	29,635
Right-of-use assets		**28,972**	–
		78,903	72,363
Current assets			
Inventories		**38,845**	28,490
Prepaid land lease payments		**–**	696
Trade and bills receivables	*10*	**27,615**	22,140
Deposits, prepayments and other receivables		**25,393**	18,509
Tax refundable		**12**	–
Bank balances and cash		**5,409**	4,537
		97,274	74,372
Current liabilities			
Trade payables	*11*	**74,822**	62,570
Accruals and other payables		**33,478**	27,010
Contract liabilities		**5,122**	6,241
Tax payables		**–**	46
Borrowings		**55,659**	62,565
		169,081	158,432
Net current liabilities		**(71,807)**	(84,060)
Total assets less current liabilities		**7,096**	(11,697)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liability			
Loans from the ultimate holding company		**43,608**	33,586
Net liabilities		**(36,512)**	(45,283)
Capital and reserves			
Share capital – ordinary shares	*12*	**41,477**	41,477
Share capital – convertible preference shares	*13*	**542**	542
Reserves		**(92,335)**	(89,064)
Capital deficiency attributable to owners of the Company		**(50,316)**	(47,045)
Non-controlling interests		**13,804**	1,762
Capital deficiency		**(36,512)**	(45,283)

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). In the opinion of the Directors of the Company, the ultimate holding company of the Company is Wai Chun Investment Fund ("**Wai Chun IF**"), which is a private limited company incorporated in the Cayman Islands. Its ultimate controlling party is Mr. Lam Ching Kui (the "**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.

Pursuant to a special resolution passed on 19 August 2019 and the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands on 3 September 2019, the Company had changed its name from "Wai Chun Mining Industry Group Company Limited （偉俊礦業集團有限公司*）" to "Wai Chun Bio-Technology Limited 瑋俊生物科技有限公司".

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.

* *For identification only*

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019, the Group incurred a net loss attributable to the owners of the Company of approximately HK$3,159,000 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$71,807,000 and HK$36,512,000 respectively, the Company had net current liabilities and net liabilities of approximately HK$9,564,000 and HK$52,804,000 respectively, and also, the Group's capital deficiency attributable to owners of the Company was approximately HK$50,316,000. 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 and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the followings:

(i) As at 31 December 2019, the Company has drawn down loan of approximately HK$43,608,000 and undrawn loan facilities of approximately HK$87,392,000 granted by Wai Chun IF, its ultimate holding company, which is provided on a subordinated basis, i.e. Wai Chun IF 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 Wai Chun IF as stated above, the Ultimate Controlling Party has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statements. Also, the Ultimate Controlling Party and his spouse agreed not to request the Group, whenever necessary, to settle the related parties balance recorded in the accruals and other payables amounting to approximately HK$15,919,000 until all other third parties liabilities of the Group had been satisfied;

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

(iv) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

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 announcement 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 announcement, 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

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

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

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

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

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

Summary of effects arising from initial application of HKFRS 16

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

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

The operating lease commitments as at 31 December 2018 are reconciled as follows:

	HK$'000
Operating lease commitments at 31 December 2018	591
Less: Commitments relating to the leases with a remaining lease term ended within 12 months from the date of initial application	(591)
Lease liabilities at 1 January 2019	–

Financial Impact on Initial Application of HKFRS 16

On transition to HKFRS 16, the Group has taken advantage of the practical expedients to leases previously classified as operating leases under HKAS 17 to account for leases with a remaining term of twelve months or less from the date of initial application as short-term leases (i.e. not recognised "**on balance sheet**") and using hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

As at 31 December 2018, the Group had operating lease commitment of HK$591,000 for which the lease term ends within 12 months of the date of initial application and the leases do not include a renewal option. Accordingly, the Group has not recognised any right-of-use assets nor lease liabilities as at 1 January 2019 but to account for payments on these leases as an expense on a straight-line basis over the remaining lease term.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective date to be determined

4 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

5 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, i.e., the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods 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 consolidated financial statements.

4. SEGMENT INFORMATION

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

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

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

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

Segment results represents loss incurred or profit earned by each segment without allocation of other revenue (excluding reversal of write-down of inventories), gain on disposal of subsidiaries, equity-settled share-based payment, 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 2019

	Modified starch and other biochemical products *HK$'000*	**General trading** *HK$'000*	**Total** *HK$'000*
Segment revenue	**558,343**	**20,888**	**579,231**
Segment results	**26,925**	**101**	**27,026**
Other revenue			**1,375**
Central administration costs			**(13,396)**
Gain on disposal of subsidiaries			**67**
Finance costs			**(6,009)**
Profit before tax			**9,063**
Income tax expense			**(75)**
Profit for the year			**8,988**

For the year ended 31 December 2018

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

5. PROVISION (REVERSAL) OF IMPAIRMENT LOSSES, NET

	2019 ***HK$'000***	2018 *HK$'000*
Provision of impairment loss on trade and bills receivables	**1,496**	–
Provision of impairment loss on deposit, prepayments and other receivables	**998**	116
Reversal of impairment loss on trade and bills receivables	**(212)**	(312)
Reversal of impairment loss on deposit, prepayments and other receivables	**–**	(341)
Total	**2,282**	(537)

6. FINANCE COSTS

	2019 ***HK$'000***	2018 *HK$'000*
Interests on:		
– Bank loans and bank overdrafts	**2,805**	3,769
– Loans from the ultimate holding company	**2,413**	1,884
– Loan from an independent third party	**161**	161
– Bills payables	**630**	246
Total	**6,009**	6,060

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	**75**	149

8. PROFIT (LOSS) FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**500**	500
Equity-settled share-based payment	**–**	39,864
Amortisation of prepaid land lease payments	**–**	725
Depreciation on right-of-use assets	**694**	–
Gain on disposal of subsidiaries	**(67)**	–
Staff costs (including Directors' emoluments and retirement benefit costs)	**8,679**	7,136

9. 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$3,159,000 (2018: approximately HK$53,617,000) and the number of 16,590,685,376 ordinary shares (2018: 16,590,685,376 ordinary shares) in issue.

	2019	2018
	Number of shares	*Number of shares*
Number of ordinary shares		
Issued ordinary shares at 1 January and 31 December	**16,590,685,376**	16,590,685,376

(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.

10. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**33,690**	27,646
Bills receivables	**901**	186
	34,591	27,832
Less: Provision for impairment	**(6,976)**	(5,692)
Total	**27,615**	22,140

The Group allows average credit period of 30 to 180 days to its customers. Receivables that were current relate to customers for whom there was no recent history of default. As at 31 December 2019, the Group has assessed the recoverability of the receivables past due and made a provision for impairment. 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:

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**21,555**	14,515
31-60 days	**4,667**	4,870
61-90 days	**358**	310
91-180 days	**1,035**	2,445
Total	**27,615**	22,140

As at 31 December 2019, trade and bills receivables of approximately HK$27,615,000 are not past due and regarded as having low default risk by the management of the Company based on regular repayment history in the ECL assessment.

11. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**74,822**	62,570

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:

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**27,306**	16,413
31-60 days	**31,341**	31,188
61-90 days	**12,988**	3,420
91-180 days	**2,078**	9,173
Over 180 days	**1,109**	2,376
Total	**74,822**	62,570

12. SHARE CAPITAL – ORDINARY SHARES

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

13. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

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

The convertible preference shares are non-redeemable, carry no voting right and each of the convertible preference share is convertible into one ordinary share at any time before the fifth anniversary of the issue date of convertible shares i.e. 22 January 2016. The convertible preference shareholder is entitled to receive dividend pari passu with ordinary shareholders on an as converted basis.

14. EVENTS AFTER THE REPORTING PERIOD

Impact of outbreak of the coronavirus disease 2019

Since the outbreak of the coronavirus disease 2019 (“COVID-19”) began in January 2020 across the country, the Company has actively responded to and strictly implemented the various regulations and requirements of the government for virus epidemic prevention and controls. To ensure both epidemic prevention and operation, the Company and its subsidiaries have implemented strict internal measures to implement epidemic prevention work.

The Company expects that the COVID-19 epidemic situation and prevention and control measures will have a certain temporary impact on the Group’s operation, and the degree of impact depends on the progress and duration of epidemic prevention and control and the implementation of local prevention and control policies.

The Company will continue to pay close attention to the development of the COVID-19 epidemic, and evaluate and actively respond to its impact on the financial position and operating results of the Group. As of the reporting date of the consolidated financial statements, no significant adverse impact has been found.

Proposed issue of convertible bonds

On 23 January 2020, the Company entered into the subscription agreement with Chinese Success Limited (a connected person of the Company) pursuant to which Chinese Success Limited conditionally agreed to subscribe for and the Company conditionally agreed to issue the convertible bonds for offsetting loan being payable to the Company’s ultimate controlling party (“Shareholder’s Loan”). On 18 February 2020, the Company further made an announcement that it had incurred and was expected to continue to incur liabilities due to the Company’s controlling shareholder for the assumption or payment of debts and liabilities on behalf of the Group. (“Other Loan”). The aggregate amount of approximately HK$67 million of the Shareholder’s Loan and Other Loan are expected to be offset with the proposed issue of convertible bonds. The proposed issue of convertible bonds has not yet been completed up to the date of this announcement.

Proposed share consolidation

On 24 January 2020, the Company announced that there would be a proposal to implement a share consolidation of the ordinary shares of the Company. A meeting of the Board will be convened to consider and, if thought fit, approve such share consolidation as soon as possible. The proposed share consolidation has not yet been completed up to the date of this announcement.

DIFFERENCES BETWEEN THE UNAUDITED AND AUDITED ANNUAL RESULTS FOR THE YEAR

Reference is made to the Unaudited Annual Results Announcement for the year ended 31 December 2019. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement for the year ended 31 December 2019 upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following differences between the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement for the year ended 31 December 2019 and the audited annual results of the Group in this announcement.

Consolidated statement of profit or loss

For the year ended 31 December 2019

	Notes	**Disclosure in this announcement** *HK$'000*	**Disclosure in the unaudited result announcement** *HK$'000*	**Difference** *HK$'000*
Turnover		579,231	579,231	–
Cost of sales	*(a)*	(530,204)	(530,374)	(170)
Gross profit		49,027	48,857	170
Other revenue		1,375	1,375	–
Selling expenses		(11,745)	(11,745)	–
Administrative expenses		(21,370)	(21,370)	–
Equity-settled share-based payment		–	–	–
Gain on disposal of subsidiaries		67	67	–
Provision of impairment losses, net	*(b)*	(2,282)	(1,284)	(998)
Finance costs		(6,009)	(6,009)	–
Profit before tax		9,063	9,891	(828)
Income tax expense		(75)	(75)	–
Profit for the year		8,988	9,816	(828)
Profit attributable to:				
– Owners of the Company		(3,159)	(2,737)	(422)
– Non-controlling interests		12,147	12,553	(406)
		8,988	9,816	(828)
		HK cents	*HK cents*	*HK cents*
Loss per share				
– Basic and diluted		(0.02)	(0.02)	–

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Disclosure in this announcement	Disclosure in the unaudited result announcement	Difference
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	8,988	9,816	(828)
Other comprehensive (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations	(217)	(212)	(5)
Other comprehensive (expense), net of income tax	(217)	(212)	(5)
Total comprehensive income for the year	8,771	9,604	(833)
Total comprehensive income (expense) attributable to:			
– Owners of the Company	(3,271)	(2,854)	(417)
– Non-controlling interests	12,042	12,458	(416)
	8,771	9,604	(833)

Consolidated statement of financial position
At 31 December 2019

	Notes	Disclosure in this announcement HK$'000	Disclosure in the unaudited result announcement HK$'000	Difference HK$'000
Non-current assets				
Property, plant and equipment	*(a)*	49,931	49,765	166
Right-of-use assets		28,972	28,972	–
		78,903	78,737	166
Current assets				
Inventories		38,845	38,845	–
Trade and bills receivables		27,615	27,615	–
Deposits, prepayments and other receivables	*(b)*	25,393	26,275	(882)
Tax refundable		12	12	–
Bank balances and cash		5,409	5,409	–
		97,274	98,156	(882)
Current liabilities				
Trade payables		74,822	74,822	–
Accruals and other payables	*(b)*	33,478	33,362	116
Contract liabilities		5,122	5,122	–
Borrowings		55,659	55,659	–
		169,081	168,965	116
Net current liabilities		(71,807)	(70,809)	(998)
Total assets less current liabilities		7,096	7,928	(832)

Consolidated statement of financial position (continued)
At 31 December 2019

	Disclosure in this announcement	Disclosure in the unaudited result announcement	Difference
	HK$'000	*HK$'000*	*HK$'000*
Non-current liability			
Loans from the ultimate holding company	43,608	43,608	–
Net liabilities	(36,512)	(35,680)	(832)
Capital and reserves			
Share capital – ordinary shares	41,477	41,477	–
Share capital – convertible preference shares	542	542	–
Reserves	(92,335)	(91,919)	(416)
Capital deficiency attributable to owners of the Company	(50,316)	(49,900)	(416)
Non-controlling interests	13,804	14,220	(416)
Capital deficiency	(36,512)	(35,680)	(832)

Notes:

(a) Represented adjustment of overstatement of depreciation of property, plant and equipment.

(b) Represented reallocation of approximately HK$116,000 from other receivables to other payables, and impairment of approximately HK$998,000 on prepayment and other receivables.

EXTRACT 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 2019.

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 2019 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 2019 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 indicates that the Group incurred a net loss attributable to owners of the Company of approximately HK$3,159,000 for the year ended 31 December 2019 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$71,807,000 and HK$36,512,000 respectively, the Company had net current liabilities and net liabilities of approximately HK$9,564,000 and HK$52,804,000 respectively, and also, the Group's capital deficiency attributable to owners of the Company was approximately HK$50,316,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in Note 2 to the 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 2019, the Group recorded a turnover of approximately HK$579,231,000 from operations (2018: approximately HK$480,852,000), representing an increase of approximately 20.5% as compared to that of 2018. The Group recorded a gross profit of approximately HK$49,027,000 (2018: approximately HK$15,522,000) and gross profit margin of approximately 8.5% (2018: 3.2%) for the year, representing increase of approximately 215.9% and 5.3% respectively as compared to 2018.

Administrative expenses decreased by 5.9% from approximately HK$22,716,000 in 2018 to approximately HK$21,370,000 in current year. Selling expenses recorded an increase of 57.5% from approximately HK$7,456,000 in 2018 to approximately HK$11,745,000 in current year.

Loss attributable to owners of the Company for the year amounting to approximately HK$3,159,000 (2018: approximately HK$53,617,000). The decrease 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$558,343,000 (2018: approximately HK$442,961,000) during the year. Increase in market demand and unit selling price has caused an increase in turnover, the segment has generated a segment profit in current year approximately HK$26,925,000 as compared to the segment profit in 2018 approximately HK$4,025,000. The increase in profit is mainly due to the increase in demand in market, increase in unit selling price and well control on both production cost and operating cost. Therefore, turnover has increased by 26.0% while segment profit has increased by 568.9% when compared that to 2018.

General trading business

The general trading business recorded a revenue of approximately HK$20,888,000 (2018: approximately HK$37,891,000) and a segmental profit of approximately HK$101,000 in 2019 (2018: approximately HK$184,000) respectively.

Financial Resources and Position

As at 31 December 2019, the Group had net current liabilities of approximately HK$71,807,000 (2018: approximately HK$84,060,000) and cash and cash equivalents of approximately HK$5,409,000 (2018: approximately HK$4,537,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars.

Total debts of the Group amounting to approximately HK$99,267,000 (2018: approximately HK$96,151,000), comprising borrowings of approximately HK$55,659,000 (2018: approximately HK$62,565,000) and loans from the ultimate holding company of approximately HK$43,608,000 (2018: approximately HK$33,586,000). 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 53.3% (2018: approximately 62.4%), representing an decrease of approximately 6.1% as compared to 2018.

The Group had future minimum lease payments under a non-cancellable operating lease in respect of rented premises amounting to approximately HK$3,700,000 (2018: approximately HK$591,000), which the lease term was within one year.

On the basis of the undrawn loan facilities of approximately HK$87,392,000, granted by its ultimate holding company, Wai Chun Investment Fund ("**Wai Chun IF**") 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 2019, 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 2019, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 31 December 2019, part of the Group's right-of-use assets with carrying amount of approximately HK$18,228,000 (2018: prepaid land lease payments with carrying amount of approximately HK$19,078,000) 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 2019.

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$26,925,000 (2018: approximately HK$4,025,000). The increase in profit is mainly due to the increase in demand of market, increase in selling price and well control on both production cost and operating cost. The business of general trading recorded segment profit of approximately HK$101,000 during the year (2018: approximately HK$184,000).

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 2019, the Group had a total of 180 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.

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 2019.

Code on Corporate Governance Practices

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 year ended 31 December 2019, the Company has complied with the relevant code provisions set out in the CG Code except for the deviation from code provision A.2.1 and A.5.5(2), which are explained below.

Code provision A.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company. He has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The balance of power and authorities are ensured by the operation of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

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

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 2019.

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 2019, 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 2019 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.

Publication of Annual Report

The annual report of the Company will be published on the website of the Company and the website of Hong Kong Exchanges and Clearing Limited, and dispatched to the shareholders of the Company in due course.

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, as well as our shareholders and investors for their continuous support to the Group.

By Order of the Board
Wai Chun Bio-Technology Limited
LAM Ching Kui
Chairman and Chief Executive Officer

Hong Kong, 23 June 2020

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
LI Jinyuan