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)

2020 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Wai Chun Bio-Technology Limited (the "**Company**") hereby announces the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*4*	**567,553**	579,231
Cost of sales		**(518,623)**	(530,204)
Gross profit		**48,930**	49,027
Other revenue and other gains and losses, net		**(122)**	1,375
Selling expenses		**(12,179)**	(11,745)
Administrative expenses		**(25,519)**	(21,370)
Gain on disposal of subsidiaries		**–**	67
Impairment losses on receivables, net of reversal		**(1,584)**	(2,282)
Finance costs	*6*	**(7,915)**	(6,009)
Profit before tax		**1,611**	9,063
Income tax expense	*7*	**(616)**	(75)
Profit for the year	*8*	**995**	8,988

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 31 December 2020

	Note	**2020** **HK$'000**	2019 *HK$'000*
(Loss) profit for the year attributable to:			
– Owners of the Company		**(8,149)**	(3,159)
– Non-controlling interests		**9,144**	12,147
		995	8,988
Loss per share	*9*	***HK cents***	*HK cents* (Restated)
– Basic and diluted		**(0.49)**	(0.19)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**995**	8,988
Other comprehensive income (expense):		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**3,207**	(217)
Other comprehensive income (expense), net of tax	**3,207**	(217)
Total comprehensive income for the year	**4,202**	8,771
Total comprehensive (expense) income for the year attributable to:		
– Owners of the Company	**(6,513)**	(3,271)
– Non-controlling interests	**10,715**	12,042
	4,202	8,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**61,093**	49,931
Right-of-use assets		**36,981**	28,972
		98,074	78,903
Current assets			
Inventories		**52,291**	38,845
Trade and bills receivables	*10*	**13,769**	27,615
Deposits, prepayments and other receivables		**18,728**	25,393
Tax refundable		**13**	12
Bank balances and cash		**5,446**	5,409
		90,247	97,274
Current liabilities			
Trade payables	*11*	**43,192**	74,822
Accruals and other payables		**25,058**	33,478
Contract liabilities		**3,260**	5,122
Borrowings		**73,762**	55,659
Lease liabilities		**3,589**	–
Loans from the ultimate holding company		**1,128**	–
		149,989	169,081
Net current liabilities		**(59,742)**	(71,807)
Total assets less current liabilities		**38,332**	7,096

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities		**3,161**	–
Convertible bonds		**48,140**	–
Loans from the ultimate holding company		**–**	43,608
		51,301	43,608
NET LIABILITIES		**(12,969)**	(36,512)
Capital and reserves			
Share capital – ordinary shares	12	**41,477**	41,477
Share capital – convertible preference shares	13	**542**	542
Reserves		**(79,507)**	(92,335)
Capital deficiency attributable to owners of the Company		**(37,488)**	(50,316)
Non-controlling interests		**24,519**	13,804
CAPITAL DEFICIENCY		**(12,969)**	(36,512)

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 31 December 2020, 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 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. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$8,149,000 for the year ended 31 December 2020 and as at 31 December 2020, the Group had net current liabilities and net liabilities of approximately HK$59,742,000 and HK$12,969,000 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 consolidated financial statements based on going concern on the assumptions and measures that:

(a) As at 31 December 2020, the Company has drawn down loan of approximately HK$1,128,000 and undrawn loan facilities of approximately HK$68,872,000 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 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$6,732,000 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 announcement 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 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 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 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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. 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 consolidated financial statements and amounts reported for the current year and prior year.

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 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 consolidated financial position.

4. REVENUE

	2020	2019
	HK$'000	*HK$'000*
Revenue from manufacturing and sale of modified starch and other biochemical products	**567,553**	558,343
Revenue from general trading	**–**	20,888
Total revenue	**567,553**	579,231

Disaggregation of revenue from contracts with customers:

The revenue from manufacturing and sale of modified starch and other biochemical products and general trading are derived from customers in the PRC and Hong Kong, respectively.

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

5. SEGMENT INFORMATION

The Group has two reportable segments 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 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, gain on disposal of subsidiaries, central administration costs, finance costs and income tax expenses.

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

Information and reconciliation of reportable segment revenue and profit or loss:

Year ended 31 December 2020

	Modified starch and other biochemical products *HK$'000*	**General trading** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**567,553**	**–**	**567,553**
Segment profit	**22,670**	**–**	**22,670**
Other revenue and other gains and losses, net			**(122)**
Central administration costs			**(13,022)**
Finance costs			**(7,915)**
Profit before tax			**1,611**
Income tax expense			**(616)**
Profit for the year			**995**

Year ended 31 December 2019

	Modified starch and other biochemical products *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Revenue from external customers	558,343	20,888	579,231
Segment profit	26,925	101	27,026
Other revenue and other gains and losses, net			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

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans	**2,692**	2,805
Interest on loans from the ultimate holding company	**1,572**	2,413
Interest on loan from the controlling shareholder	**785**	–
Interest on loan from independent third parties	**1,676**	161
Interest on bills payables	**388**	630
Interest on convertible bonds	**729**	–
Interest on lease liabilities	**73**	–
Total	**7,915**	6,009

7. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax provision for the year	**616**	75

8. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging (crediting) the following:

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**450**	500
Cost of inventories sold	**515,135**	529,818
Impairment losses of receivables, net of reversal	**1,584**	2,282
Allowances for inventories	**3,488**	–
Depreciation on property, plant and equipment	**5,067**	4,639
Depreciation on right-of-use assets	**1,308**	694
Loss (gain) on disposal of property, plant and equipment	**36**	(8)
Staff costs (including directors' emoluments)		
Salaries, bonus and allowances	**13,888**	12,937
Retirement benefits scheme contributions	**849**	1,425
	14,737	14,362

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$8,149,000 (2019: approximately HK$3,159,000) and the weighted average number of ordinary shares of 1,659,068,537 (2019: 1,659,068,537, as adjusted to reflect the share consolidation in November 2020) in issue during the year.

(b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds for the year ended 31 December 2020 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 years, accordingly, the diluted loss per share is same as the basic loss per share in both years.

10. TRADE AND BILLS RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**16,796**	33,690
Bills receivables	**882**	901
	17,678	34,591
Less: Provision for impairment	**(3,909)**	(6,976)
Carrying amount	**13,769**	27,615

The Group allows average credit period of 30 to 180 days to its customers. Receivables that were current relate to customers for whom there was no recent history of default. As at 31 December 2020, 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 aging analysis of trade and bills receivables, based on the invoice date and net of provision for impairment, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**11,083**	21,555
31–60 days	**1,167**	4,667
61–90 days	**1,150**	358
91–180 days	**369**	1,035
Total	**13,769**	27,615

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

11. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**43,192**	74,822

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 dates, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**17,909**	27,306
31–60 days	**15,705**	31,341
61–90 days	**7,951**	12,988
91–180 days	**413**	2,078
Over 180 days	**1,214**	1,109
Total	**43,192**	74,822

12. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Amount equivalent to *HK$'000*
Authorised:		
Shares of the Company HK$0.025 (2019: HK$0.0025) each		
At 1 January 2019, 31 December 2019 and 1 January 2020	40,000,000,000	100,000
Share consolidation *(Note a)*	(36,000,000,000)	–
At 31 December 2020	4,000,000,000	100,000
Issued and fully paid:		
Shares of the Company HK$0.025 (2019: HK$0.0025) each		
At 1 January 2019, 31 December 2019 and 1 January 2020	16,590,685,376	41,477
Share consolidation *(Note a)*	(14,931,616,839)	–
At 31 December 2020	1,659,068,537	41,477

Note:

(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.

13. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of shares	Amount equivalent to *HK$'000*
Authorised:		
Shares of the Company HK$0.025 (2019: HK$0.0025) each		
At 1 January 2019, 31 December 2019 and 1 January 2020	816,000,000	2,040
Share consolidation *(Note b)*	(734,400,000)	–
At 31 December 2020	81,600,000	2,040
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 1 January 2020	216,960,000	542
Share consolidation *(Note b)*	(195,264,000)	–
At 31 December 2020	21,696,000	542

Note:

(a) 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. 8 April 2016. The convertible preference shareholder is entitled to receive dividend pari passu with ordinary shareholders on an as converted basis.

(b) As mentioned in note 12(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.

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company received a conversion notice from the holder of the convertible preference shares for the request of conversion of 21,696,000 convertible preference shares held by them into 21,696,000 ordinary shares of the Company, the conversion was completed by crediting the ordinary share capital of approximately HK$542,000.

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 2020. 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 2020 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 2020 and the audited annual results of the Group in this announcement.

Consolidated statement of profit or loss
For the year ended 31 December 2020

	Notes	Disclosure in this announcement HK$'000	Disclosure in the unaudited results announcement HK$'000	Difference HK$'000
Revenue		567,553	567,553	–
Cost of sales	(a)	(518,623)	(519,657)	1,034
Gross profit		48,930	47,896	1,034
Other income and other gains and losses, net		(122)	(122)	–
Selling expenses		(12,179)	(12,179)	–
Administrative expenses		(25,519)	(26,515)	996
Loss on change in fair value of convertible bonds	(b)	–	(4,157)	4,157
Impairment losses on receivables, net of reversal	(c)	(1,584)	(5,938)	4,354
Finance costs		(7,915)	(7,694)	(221)
Profit (loss) before tax		1,611	(8,709)	10,320
Income tax expense		(616)	(616)	–
Profit (loss) for the year		995	(9,325)	10,320
Profit (loss) for the year attributable to:				
– Owners of the Company		(8,149)	(15,341)	7,192
– Non-controlling interests		9,144	6,016	3,128
		995	(9,325)	10,320
		HK cents	HK cents	HK cents
Loss per share				
– Basic and diluted		(0.49)	(0.92)	0.43

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

	Disclosure in this announcement *HK$'000*	Disclosure in the unaudited results announcement *HK$'000*	Difference *HK$'000*
Profit (loss) for the year	995	(9,325)	10,320
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	3,207	3,104	103
Other comprehensive income, net of tax	3,207	3,104	103
Total comprehensive income (expense) for the year	4,202	(6,221)	10,423
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company	(6,513)	(13,758)	7,245
– Non-controlling interests	10,715	7,537	3,178
	4,202	(6,221)	10,423

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	**Disclosure in the announcement** *HK$'000*	**Disclosure in this unaudited results announcement** *HK$'000*	**Difference** *HK$'000*
Non-current assets				
Property, plant and equipment		61,093	61,093	–
Right-of-use assets	*(d)*	36,981	37,121	(140)
		98,074	98,214	(140)
Current assets				
Inventories	*(a)*	52,291	51,205	1,086
Trade and bills receivables	*(c)*	13,769	10,701	3,068
Deposits, prepayments and other receivables	*(e)*	18,728	16,314	2,414
Derivative financial instruments	*(b)*	–	5,235	(5,235)
Tax refundable		13	13	–
Bank balances and cash		5,446	5,446	–
		90,247	88,914	1,333
Current liabilities				
Trade payables	*(f)*	43,192	65,422	(22,230)
Accruals and other payables	*(f)*	25,058	4,402	20,656
Contract liabilities		3,260	3,260	–
Borrowings	*(g)*	73,762	65,515	8,247
Lease liabilities		3,589	3,589	–
Amount due to a significant shareholder	*(g)*	–	6,731	(6,731)
Loans from the ultimate holding company	*(g)*	1,128	–	1,128
		149,989	148,919	1,070
Net current liabilities		(59,742)	(60,005)	263
Total assets less current liabilities		38,332	38,209	123

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2020

		Disclosure in the announcement HK$'000	Disclosure in this unaudited results announcement HK$'000	Difference HK$'000
Non-current liabilities				
Lease liabilities		3,161	3,161	–
Convertible bonds	*(b)*	48,140	57,902	(9,762)
Loans from the ultimate holding company	*(g)*	–	1,128	(1,128)
		51,301	62,191	(10,890)
NET LIABILITIES		(12,969)	(23,982)	11,013
Capital and reserves				
Share capital – ordinary shares		41,477	41,477	–
Share capital – convertible preference Shares		542	542	–
Reserves		(79,507)	(87,342)	7,835
Capital deficiency attributable to owners of the Company		(37,488)	(45,323)	7,835
Non-controlling interests		24,519	21,341	3,178
CAPITAL DEFICIENCY		(12,969)	(23,982)	11,013

Notes:

(a) Represented adjustment of overstatement of allowance on inventories of approximately HK$1,086,000.

(b) Represented adjustment of valuation of convertible bonds.

(c) Represented adjustment of overstatement of impairment on trade and bills receivables of approximately HK$3,068,000.

(d) Represented adjustment of understatement of amortisation of right-of-use assets.

(e) Represented reallocation of approximately HK$1,128,000 from other payables to other receivables, and impairment of approximately HK$998,000 on other receivables

(f) Represented reallocation of approximately HK$22,186,000 from trade payables to other payables.

(g) Represented reallocation of approximately HK$6,731,000 from amount due to a significant shareholder to borrowings and reallocation of HK$1,128,000 of loans from the ultimate holding company from non-current liabilities to current liabilities.

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 2020.

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 2020 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

We draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss attributable to owners of the Company of approximately HK$8,149,000 for the year ended 31 December 2020 and as at 31 December 2020, the Group had net current liabilities and net liabilities of approximately HK$59,742,000 and HK$12,969,000 respectively. These conditions indicate 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 2020, the Group recorded a revenue of approximately HK$567,553,000 from operations (2019: approximately HK$579,231,000), representing an decrease of approximately 2.0% as compared to that of 2019. The Group recorded a gross profit of approximately HK$48,930,000 (2019: approximately HK$49,027,000) and gross profit margin of approximately 8.6% (2019: 8.5%) for the year, representing decrease of approximately 0.2% and increase of 0.1% respectively as compared to 2019.

Administrative expenses increased by 19.4% from approximately HK$21,370,000 in 2019 to approximately HK$25,519,000 in current year. Selling expenses recorded an increase of 3.7% from approximately HK$11,745,000 in 2019 to approximately HK$12,179,000 in current year.

Loss attributable to owners of the Company for the year amounting to approximately HK$8,149,000 (2019: approximately HK$3,159,000). The increase in the loss was mainly due to increase of finance costs of approximately HK$1,906,000 and increase of administrative expenses for modified starch and other biochemical products segment of approximately HK$4,149,000.

Modified starch and other biochemical products business

The segment has recorded a revenue of approximately HK$567,553,000 in this year which slightly decreased by 1.6% from approximately HK$558,343,000 in 2019. The segment has generated a segment profit of approximately HK$22,670,000 in current year as compared to approximately HK$26,925,000 in 2019. The decrease in segment profit was mainly because of the slight decrease in market demand due to the outbreak of coronavirus in Mainland China in early 2020.

General trading business

The general trading business segment did not record any revenue and segment profit for the year ended 31 December 2020 (2019: revenue of approximately HK$20,888,000 and segment profit of approximately HK$101,000).

Financial Resources and Position

As at 31 December 2020, the Group had net current liabilities of approximately HK$59,742,000 (2019: approximately HK$71,807,000) and cash and cash equivalents of approximately HK$5,446,000 (2019: approximately HK$5,409,000). 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$129,780,000 (2019: approximately HK$99,267,000), comprising borrowings of approximately HK$73,762,000 (2019: approximately HK$55,659,000), loans from the ultimate holding company of approximately HK$1,128,000 (2019: approximately HK$43,608,000), convertible bonds of approximately HK$48,140,000 (2019: nil) and lease liabilities of approximately HK$6,750,000 (2019: nil). 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 66.0% (2019: approximately 53.3%).

The Group had future minimum lease payments under a non-cancellable operating lease in respect of rented premises of nil in 2020 (2019: approximately HK$3,700,000), which the lease term was within one year.

As at 31 December 2020, the Company has undrawn loan facilities of approximately HK$68,872,000 granted by Wai Chun Investment Fund, its ultimate holding company.

Foreign Currency Fluctuation

For the year ended 31 December 2020, 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 2020, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 31 December 2020, part of the Group's right-of-use assets with carrying amount of approximately HK$17,804,000 (2019: HK$18,228,000) 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 2020.

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$22,670,000 (2019: approximately HK$26,925,000). The decrease in profit is mainly due to the slight decrease in demand in market. The business of general trading recorded segment profit of nil in 2020 (2019: approximately HK$101,000).

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 2020, the Group had a total of 127 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.

Major acquisitions and disposals of subsidiaries

For the year ended 31 December 2020, there were no major acquisitions and disposal of subsidiaries.

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 2020.

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 2020, the Company has complied with the relevant code provisions set out in the CG Code except for the deviation from code provision A.2.1, which 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.

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 2020.

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 2020, in conjunction with the Group's external auditor, ZHOUNGHUI ANDA CPA Limited ("**ZHOUNGHUI ANDA**").

Scope of Work of ZHOUNGHUI ANDA

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditors, ZHOUNGHUI ANDA, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHOUNGHUI ANDA 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 ZHOUNGHUI ANDA 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 members of 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, 28 April 2021

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 Cheuk Ho
WAN Bo
HAU Pak Man