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偉俊 生 物 科 技 有 限 公 司

Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 660)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2022

Reference is made to the announcement of Wai Chun Bio-Technology Limited (the “**Company**”) dated 22 September 2022 in relation to, among others, the delay in publication of the audited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the eighteen months ended 30 June 2022 (the “**2022 Audited Annual Results**”). The reasons for the delay of the auditing process for the 2022 Audited Annual Results of the Group are set out the paragraphs headed “Review of Unaudited Annual Results” and “Delay in Publication of Audited Annual Results and Despatch of the 2022 Annual Report” in this announcement.

As a result, the board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the following preliminary unaudited consolidated financial information of the Group for the eighteen months ended 30 June 2022 (the “**Period**”) together with comparative figures for the previous year. The preliminary unaudited consolidated financial statements cover an eighteen months period ended 30 June 2022 and the comparative financial statements cover a twelve months year ended 31 December 2020. The comparative figures are therefore not entirely comparable. The Directors confirm that the following preliminary unaudited consolidated financial information is prepared on the same basis as used in the audited financial statements of the Group for the year ended and as of 31 December 2020.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the eighteen months ended 30 June 2022

		1 January 2021 to 30 June 2022 HK\$'000 (Unaudited)	Year ended 31 December 2020 HK\$'000 (Audited)
	<i>Notes</i>		
Revenue	5	1,007,186	567,553
Cost of sales		<u>(920,707)</u>	<u>(518,623)</u>
Gross profit		86,479	48,930
Other revenue and other gains and losses, net		(5,035)	(122)
Selling expenses		(22,679)	(12,179)
Administrative expenses		(39,274)	(25,519)
Impairment losses on receivables, net of reversal		–	(1,584)
Finance costs	7	<u>(20,978)</u>	<u>(7,915)</u>
(Loss) profit before tax		(1,487)	1,611
Income tax expense	8	<u>(3,795)</u>	<u>(616)</u>
(Loss) profit for the period/year	9	(5,282)	995
(Loss) profit for the period/year attributable to:			
– Owners of the Company		(23,531)	(8,149)
– Non-controlling interests		<u>18,249</u>	<u>9,144</u>
		<u>(5,282)</u>	<u>995</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	10		
– Basic and diluted		<u>(1.40)</u>	<u>(0.49)</u>

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the eighteen months ended 30 June 2022

	1 January 2021 to 30 June 2022 HK\$'000 (Unaudited)	Year ended 31 December 2020 HK\$'000 (Audited)
(Loss) profit for the period/year	<u>(5,282)</u>	<u>995</u>
Other comprehensive (expense) income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(1,752)</u>	<u>3,207</u>
Other comprehensive (expense) income, net of tax	<u>(1,752)</u>	<u>3,207</u>
Total comprehensive (expense) income for the period/year	<u><u>(7,034)</u></u>	<u><u>4,202</u></u>
Total comprehensive (expense) income for the period/year attributable to:		
– Owners of the Company	<u>(24,425)</u>	<u>(6,513)</u>
– Non-controlling interests	<u>17,391</u>	<u>10,715</u>
	<u><u>(7,034)</u></u>	<u><u>4,202</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		67,110	61,093
Right-of-use assets		<u>30,206</u>	<u>36,981</u>
		<u>97,316</u>	<u>98,074</u>
Current assets			
Inventories		69,748	52,291
Trade and bills receivables	11	38,386	13,769
Deposits, prepayments and other receivables		36,277	18,728
Tax refundable		–	13
Bank balances and cash		<u>7,520</u>	<u>5,446</u>
		<u>151,931</u>	<u>90,247</u>
Current liabilities			
Trade payables	12	88,668	43,192
Accruals and other payables		11,879	25,058
Contract liabilities		1,242	3,260
Borrowings		71,809	73,762
Tax payable		4,648	–
Lease liabilities		1,284	3,589
Loans from the ultimate holding company		<u>824</u>	<u>1,128</u>
		<u>180,354</u>	<u>149,989</u>
Net current liabilities		<u>(28,423)</u>	<u>(59,742)</u>
Total assets less current liabilities		<u>68,893</u>	<u>38,332</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 30 June 2022

		30 June 2022	31 December 2020
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities		–	3,161
Convertible bonds		65,650	48,140
		<u>65,650</u>	<u>51,301</u>
Net assets (liabilities)		<u>3,243</u>	<u>(12,969)</u>
Capital and reserves			
Share capital – ordinary shares	13	42,019	41,477
Share capital – convertible preference shares	14	–	542
Reserves		(80,686)	(79,507)
Capital deficiency attributable to owners of the Company		(38,667)	(37,488)
Non-controlling interests		41,910	24,519
Total equity (deficit)		<u>3,243</u>	<u>(12,969)</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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.

In the opinion of the Directors, as at 30 June 2022, 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 holding company and Mr. Lam Ching Kui (“**Mr. Lam**”) is the ultimate controlling shareholder of the Company.

The unaudited 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

Pursuant to a resolution of the Board dated 30 December 2021, the Group changed its financial year end date from 31 December to 30 June commencing from financial year of 2021/2022. The Board considers that the change of financial year end date will enable the Group to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports given the change will:

- (i) avoid competition of resources with other listed companies with regard to results announcement and reports-related external services under the peak reporting season in the market; and
- (ii) remove the uncertainty from the variation in the dates of the Chinese New Year Holiday which put pressure on the workflow.

The preliminary unaudited consolidated financial statements cover an eighteen months period ended 30 June 2022 and the comparative financial statements cover a twelve months year ended 31 December 2020. The comparative figures are therefore not entirely comparable.

The unaudited consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the unaudited consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance.

3. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$23,531,000 for the Period and as at 30 June 2022, the Group had net current liabilities of approximately HK\$28,423,000. 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. 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 unaudited consolidated financial statements on a going concern basis based on the assumptions and measures that:

- (a) As at 30 June 2022, the Company has drawn down loan of approximately HK\$824,000 and undrawn loan facilities of approximately HK\$49,176,000 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 these unaudited 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\$6,081,000 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 next 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 unaudited 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 unaudited 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.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

5. REVENUE

	1 January 2021 to 30 June 2022 HK\$’000	Year ended 31 December 2020 HK\$’000
Revenue from manufacturing and sale of modified starch and other biochemical products	<u>1,007,186</u>	<u>567,553</u>

Disaggregation of revenue from contracts with customers

The revenue from manufacturing and sale of modified starch and other biochemical products are derived from customers in the PRC.

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

6. SEGMENT INFORMATION

The Group has one reportable segment as follows:

Modified starch and other biochemical products	– Manufacture and sale of modified starch and other biochemical products
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Segment profits or losses do not include other revenue and other gains and losses, net, central administration costs, finance costs and income tax expense.

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

For the eighteen months ended 30 June 2022

	Modified starch and other biochemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>1,007,186</u>	<u>1,007,186</u>
Segment profit	<u>42,560</u>	42,560
Other revenue and other gains and losses, net		(5,035)
Central administration costs		(18,034)
Finance costs		<u>(20,978)</u>
Loss before tax		(1,487)
Income tax expense		<u>(3,795)</u>
Loss for the period		<u>(5,282)</u>

For the year ended 31 December 2020

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

7. FINANCE COSTS

	1 January 2021 to 30 June 2022 HK\$'000	Year ended 31 December 2020 HK\$'000
Interest on bank loans	4,652	2,692
Interest on loans from the ultimate holding company	255	1,572
Interest on loan from the controlling shareholder	1,112	785
Interest on loan from independent third parties	388	1,676
Interest on bills payables	128	388
Interest on convertible bonds	14,059	729
Interest on lease liabilities	384	73
	<u>20,978</u>	<u>7,915</u>
Total	<u>20,978</u>	<u>7,915</u>

8. INCOME TAX EXPENSE

	1 January 2021 to 30 June 2022 HK\$'000	Year ended 31 December 2020 HK\$'000
Current tax – PRC Enterprise Income Tax provision for the period/year	<u>3,795</u>	<u>616</u>

9. (LOSS) PROFIT FOR THE PERIOD/YEAR

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

	1 January 2021 to 30 June 2022 HK\$'000	Year ended 31 December 2020 HK\$'000
Auditor's remuneration	470	450
Cost of inventories sold	918,750	515,135
Impairment losses of receivables, net of reversal	–	1,584
Allowances for inventories	–	3,488
Depreciation on property, plant and equipment	9,743	5,067
Depreciation on right-of-use assets	6,386	1,308
Loss on modification of convertible bonds terms	7,018	–
Loss on issuance of convertible bonds	1,344	–
Loss on disposal of property, plant and equipment	4	36
Staff costs (including directors' emoluments)		
Salaries, bonus and allowances	23,379	13,888
Retirement benefits scheme contributions	1,120	849
	<u>24,499</u>	<u>14,737</u>

10. 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 Period attributable to owners of the Company of approximately HK\$23,531,000 (for the year ended 31 December 2020: approximately HK\$8,149,000) and the weighted average number of ordinary shares of 1,676,186,482 (for the year ended 31 December 2020: 1,659,068,537) in issue during the Period.

(b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds for the Period 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 period/year, accordingly, the diluted loss per share is same as the basic loss per share in current Period and previous year.

11. TRADE AND BILLS RECEIVABLES

	30 June 2022 HK\$'000	31 December 2020 HK\$'000
Trade receivables	42,295	16,796
Bills receivables	–	882
	<hr/>	<hr/>
	42,295	17,678
Less: Provision for impairment	(3,909)	(3,909)
	<hr/>	<hr/>
Carrying amount	38,386	13,769
	<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 30 June 2022, 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:

	30 June 2022 HK\$'000	31 December 2020 HK\$'000
0–30 days	18,680	11,083
31–60 days	1,666	1,167
61–90 days	4,283	1,150
91–180 days	8,748	369
Over 180 days	5,009	–
Total	<u>38,386</u>	<u>13,769</u>

12. TRADE PAYABLES

	30 June 2022 HK\$'000	31 December 2020 HK\$'000
Trade payables	<u>88,668</u>	<u>43,192</u>

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:

	30 June 2022 HK\$'000	31 December 2020 HK\$'000
0–30 days	39,404	17,909
31–60 days	32,077	15,705
61–90 days	7,082	7,951
91–180 days	341	413
Over 180 days	9,764	1,214
Total	<u>88,668</u>	<u>43,192</u>

13. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Amount equivalent to HK\$'000
Authorised:		
Shares of the Company HK\$0.025 (At 1 January 2020: HK\$0.0025) each		
At 1 January 2020	40,000,000,000	100,000
Share consolidation (<i>Note a</i>)	<u>(36,000,000,000)</u>	<u>–</u>
At 31 December 2020, 1 January 2021 and 30 June 2022	<u>4,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Shares of the Company HK\$0.025 (At 1 January 2020: HK\$0.0025) each		
At 1 January 2020	16,590,685,376	41,477
Share consolidation (<i>Note a</i>)	<u>(14,931,616,839)</u>	<u>–</u>
At 31 December 2020 and 1 January 2021	1,659,068,537	41,477
Conversion of convertible preference shares (<i>Note b</i>)	<u>21,696,000</u>	<u>542</u>
At 30 June 2022	<u>1,680,764,537</u>	<u>42,019</u>

Notes:

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

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

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

- (b) During the eighteen months ended 30 June 2022, 21,696,000 of the convertible preference shares were converted into 21,696,000 ordinary shares of the Company by crediting the share capital of HK\$542,000.

14. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of shares	Amount equivalent to HK\$'000
Authorised:		
Shares of the Company HK\$0.025 (At 1 January 2020: HK\$0.0025) each		
At 1 January 2020	816,000,000	2,040
Share consolidation (<i>Note b</i>)	(734,400,000)	–
	<u>81,600,000</u>	<u>2,040</u>
At 31 December 2020, 1 January 2021 and 30 June 2022	<u>81,600,000</u>	<u>2,040</u>
Issued and fully paid:		
At 1 January 2020	216,960,000	542
Share consolidation (<i>Note b</i>)	(195,264,000)	–
	<u>21,696,000</u>	<u>542</u>
At 31 December 2020 and 1 January 2021	21,696,000	542
Conversion of convertible preference shares (<i>Note c</i>)	(21,696,000)	(542)
	<u>–</u>	<u>–</u>
At 30 June 2022	<u>–</u>	<u>–</u>

Notes:

- (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 shareholders of the convertible preference shares are entitled to receive dividend *pari passu* with the shareholders of ordinary shares on an as converted basis.
- (b) As mentioned in note 13(a) about the Share Consolidation, the authorised share capital of convertible preference shares of the Company was HK\$2,040,000 divided into 816,000,000 existing convertible preference shares with a par value of HK\$0.0025 each before the Share Consolidation. After the Share Consolidation, the authorised share capital of convertible preference shares of the Company was still HK\$2,040,000 divided into 81,600,000 consolidated convertible 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 convertible preference shares.
- The total number of authorised convertible preference shares of the Company decreased from 816,000,000 shares to 81,600,000 shares and the total number of issued convertible preference shares decreased from 216,960,000 shares to 21,696,000 shares after the Share Consolidation.
- (c) During the eighteen months ended 30 June 2022, 21,696,000 of the convertible preference shares were converted into 21,696,000 ordinary shares of the Company by crediting the share capital of HK\$542,000.

FINANCIAL REVIEW

For the eighteen months ended 30 June 2022, the Group's revenue was approximately HK\$1,007.19 million, representing a significant increase of 77.46% as compared with approximately HK\$567.55 million for the twelve months ended 31 December 2020. The Group recorded a gross profit of approximately HK\$86.48 million (for the twelve months ended 31 December 2020: approximately HK\$48.93 million) and gross profit margin of approximately 8.59% (for the twelve months ended 31 December 2020: 8.62%) for the Period, representing an increase of approximately 76.74% and a decrease of approximately 0.35% as compared to previous year respectively.

Administrative expenses increased by 53.90% from approximately HK\$25.52 million for the twelve months ended 31 December 2020 to approximately HK\$39.27 million for the eighteen months ended 30 June 2022. Selling expenses recorded an increase of 86.21% from approximately HK\$12.18 million for the twelve months ended 31 December 2020 to approximately HK\$22.68 million for the eighteen months ended 30 June 2022.

Loss attributable to owners of the Company for the eighteen months ended 30 June 2022 amounting to approximately HK\$23.53 million (for the twelve months ended 31 December 2020: approximately HK\$8.15 million). The increase in the loss was mainly due to the increase in imputed interest expense on the convertible bonds of approximately HK\$13.33 million and the loss on modification of convertible bonds terms of approximately HK\$7.02 million for the Period.

Modified Starch and Other Biochemical Products Business

All the revenue of approximately HK\$1,007.19 million for the eighteen months ended 30 June 2022 (for the twelve months ended 31 December 2020: HK\$567.55 million) was contributed by this segment. The segment has generated a segment profit of approximately HK\$42.56 million in current Period as compared to approximately of HK\$22.67 million in previous year. The increase in segment profit was because of the significant increase in revenue which was mainly contributed by the increasing number of customers.

Financial Resources and Position

As at 30 June 2022, the Group had net current liabilities of approximately HK\$28.42 million (31 December 2020: approximately HK\$59.74 million) and cash and cash equivalents of approximately HK\$7.52 million (31 December 2020: approximately HK\$5.45 million). 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\$139.57 million as at 30 June 2022 (31 December 2020: approximately HK\$129.78 million), comprising borrowings of approximately HK\$71.81 million (31 December 2020: approximately HK\$73.76 million), loans from the ultimate holding company of approximately HK\$0.82 million (31 December 2020: approximately HK\$1.13 million), convertible bonds of approximately HK\$65.65 million (31 December 2020: HK\$48.14 million) and lease liabilities of approximately HK\$1.28 million (31 December 2020: HK\$6.75 million). 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 52.98% (31 December 2020: approximately 66.0%).

The Group had future minimum lease payments under a non-cancellable operating lease in respect of rented premises of approximately HK\$1.30 million as at 30 June 2022 (31 December 2020: nil), which the lease term was within one year.

As at 30 June 2022, the Company has undrawn loan facilities of approximately HK\$49.18 million granted by Wai Chun Investment Fund, its ultimate holding company.

Foreign Currency Fluctuation

For the eighteen months ended 30 June 2022, the Group conducted its business transactions principally in Renminbi and United States Dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency 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 30 June 2022, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 30 June 2022, part of the Group's right-of-use assets with carrying amount of approximately HK\$17.03 million (31 December 2020: HK\$17.80 million) were pledged to secure the bank borrowings.

Dividend

The Board has resolved not to recommend the payment of final dividend for the eighteen months ended 30 June 2022 (for the twelve months ended 31 December 2020: nil).

BUSINESS REVIEW AND OUTLOOK

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

The business of manufacture and sales of modified starch and other biochemical products recorded segment profit of approximately HK\$42.56 million (for the twelve months ended 31 December 2020: approximately HK\$22.67 million) during current Period. The increase in segment profit was because of the significant increase in revenue which was mainly contributed by the increasing number of customers.

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 30 June 2022, the Group had a total of 125 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 eighteen months ended 30 June 2022, 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 eighteen months ended 30 June 2022.

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 eighteen months ended 30 June 2022, 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 did not separate the roles of the chairman and chief executive officer during current Period. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company until his resignation of all positions in the Group with effect from 18 July 2022. Mr. Lam 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 eighteen months ended 30 June 2022.

Audit Committee

Upon the redesignation of Mr. Chan Cheuk Ho from an independent non-executive Director to an executive Director on 18 July 2022, the Board has only two independent non-executive Directors, Mr. Wan Bo and Mr. Hau Pak Man. Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only and the audit committee must comprise a minimum of three members and at least one of whom

must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

To comply with Rules 3.10(2) and 3.21 of the Listing Rules, the Company is in the process of identifying suitable candidate to fill the vacancy and will continue to use its best endeavours to ensure that suitable candidate is appointed as soon as practicable and in any event within three months from 18 July 2022 as required under Rule 3.11 of the Listing Rules.

A meeting of the Audit Committee was held to review the Group's unaudited consolidated financial statements for the eighteen months ended 30 June 2022.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results of the Group for the current Period has not been completed. Due to the outbreak of COVID-19 in Shandong Province since late August 2022, the local government implemented stringent travel and quarantine restrictions and these restrictions adversely affected the auditors of the Company (the "Auditors") to complete the audit procedures of the subsidiaries of the Company in Shandong Province. The unaudited consolidated annual results of the Group for current Period have not been agreed by the Auditors. The financial information for current Period contained herein is based on the management accounts of the Group for the eighteen months ended 30 June 2022 and has not been audited. The unaudited consolidated annual results of the Group for current Period have been reviewed by the Audit Committee of the Company.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS AND DESPATCH OF THE 2022 ANNUAL REPORT

As stated in the paragraph headed "Review of Unaudited Annual Results", the auditing process for the annual results of the Group for current Period has not been completed. Based on the preliminary communication with the Auditors, the Board currently expects that, in the absence of unforeseen circumstances, the audit of the subsidiaries of the Company in Shandong Province will be completed around mid-October 2022, and the 2022 Audited Annual Results will be published on or before 31 October 2022 and the 2022 annual report will be despatched to the shareholders of the Company by mid-November 2022.

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS FOR THE PERIOD AND 2022 ANNUAL REPORT

This unaudited consolidated annual results announcement of the Group for the Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.0660.hk) respectively. The 2022 Annual Report containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and 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.

The financial information of the Group for the Period contained herein in respect of the consolidated annual results of the Group for the eighteen months ended 30 June 2022 have not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Wai Chun Bio-Technology Limited
Chan Cheuk Ho
Executive Director

Hong Kong, 30 September 2022

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

Executive Director:

CHAN Cheuk Ho

Independent Non-executive Directors:

WAN Bo

HAU Pak Man