瑋俊生物科技有限公司

Wai Chun Bio-Technology Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code : 0660)

2021/22
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Chan Cheuk Ho *(redesignated from INED to executive director on 18 July 2022)*
Lam Ching Kui *(resigned on 18 July 2022)*

Independent Non-Executive Directors ("INED(s)")

Wan Bo
Hong Ting *(appointed on 5 October 2022)*
Hau Pak Man *(resigned on 10 October 2022)*
Chan Cheuk Ho *(redesignated from INED to executive director on 18 July 2022)*

AUTHORISED REPRESENTATIVES

Chan Cheuk Ho *(appointed on 18 July 2022)*
Lam Ching Kui *(resigned on 18 July 2022)*
Fenn David *(appointed on 4 February 2022)*
Tse Ho Lun Robin *(appointed on 5 November 2021 and resigned on 4 February 2022)*
Ng Chun Pang *(appointed on 5 May 2021 and resigned on 10 May 2021)*
Chiu Chun Tak *(appointed on 10 August 2020 and resigned on 30 April 2021)*

COMPANY SECRETARY

Fenn David *(appointed on 4 February 2022)*
Tse Ho Lun Robin *(appointed on 5 November 2021 and resigned on 4 February 2022)*
Ng Chun Pang *(appointed on 5 May 2021 and resigned on 10 May 2021)*
Chiu Chun Tak *(appointed on 10 August 2020 and resigned on 30 April 2021)*

AUDIT COMMITTEE

Hong Ting *(Chairman) (appointed on 5 October 2022)*
Wan Bo
Chan Cheuk Ho *(resigned on 18 July 2022)*
Hau Pak Man *(resigned on 10 October 2022)*

REMUNERATION COMMITTEE

Hong Ting *(Chairman) (appointed on 5 October 2022)*
Chan Cheuk Ho
Wan Bo
Lam Ching Kui *(resigned on 18 July 2022)*
Hau Pak Man *(resigned on 10 October 2022)*

NOMINATION COMMITTEE

Wan Bo *(Chairman) (appointed on 18 July 2022)*
Chan Cheuk Ho
Hong Ting *(appointed on 5 October 2022)*
Lam Ching Kui *(resigned on 18 July 2022)*
Hau Pak Man *(resigned on 10 October 2022)*

REGISTERED OFFICE

P.O. Box 31119
Grand Pavilion
Hisbiscus Bay
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F, Admiralty Centre Tower 2
18 Harcourt Road
Admiralty
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
23/F
Tower 2, Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay, Kowloon, Hong Kong

SHARE REGISTRAR IN HONG KONG

Union Registrars Limited
Room 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

Hong Kong Stock Exchange: 0660

COMPANY WEBSITE

http://www.0660.hk

FINANCIAL REVIEW

For the eighteen months ended 30 June 2022 (the "Period"), the revenue of Wai Chun Bio-Technology Limited (the "Company") together with its subsidiaries (the "Group") 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$90.19 million (for the twelve months ended 31 December 2020: approximately HK$48.93 million) and gross profit margin of approximately 8.95% (for the twelve months ended 31 December 2020: 8.62%) for the Period, representing an increase of approximately 84.32% and an increase of approximately 0.33% as compared to previous year respectively.

Administrative expenses increased by 54.08% from approximately HK$25.52 million for the twelve months ended 31 December 2020 to approximately HK$39.32 million for the Period. 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 Period.

Loss attributable to owners of the Company for the Period was approximately HK$21.55 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 expenses on the convertible bonds to approximately HK$14.05 million and the recognition of losses on issuance of convertible bonds and modification of convertible bonds terms in an aggregated amount of approximately HK$8.36 million for the Period.

Modified Starch and Other Biochemical Products Business

All the revenue of approximately HK$1,007.19 million for the Period (for the twelve months ended 31 December 2020: HK$567.55 million) was contributed by this segment. The segment generated a segment profit of approximately HK$49.28 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 contributed by the increase in selling price and increase in number of customers.

Financial Resources and Position

As at 30 June 2022, the Group had net current liabilities of approximately HK$25.49 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$151.28 million as at 30 June 2022 (31 December 2020: approximately HK$129.78 million), comprising borrowings of approximately HK$83.52 million (31 December 2020: approximately HK$73.76 million), loans from the ultimate holding company of approximately HK$0.83 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 57.5% (31 December 2020: approximately 66.0%).

As at 30 June 2022, the Company has undrawn loan facilities of approximately HK$69.18 million granted by Wai Chun Investment Fund, its ultimate holding company.

Foreign Currency Fluctuation

For the Period, 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$22.22 million (31 December 2020: HK$17.80 million) and trade receivable of approximately HK$11.71 million (31 December 2020: nil) were pledged to secure certain 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$49.28 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

Material Acquisition and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries for the eighteen months ended 30 June 2022.

Biographical Details of Directors

EXECUTIVE DIRECTOR

Mr. Chan Cheuk Ho ("Mr. Chan"), aged 56, he obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in 1989 and a master's degree in business administration from the University of Manchester in 2003. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants since 2003. In the past 20 years, Mr. Chan was the finance director, financial controller and company secretary of several companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Chan has been (i) an independent non-executive director, the chairman of the audit committee and remuneration committee and a member of the nomination committee of Eagle Nice (International) Holdings Limited, the shares of which are listed on the Main Board (stock code: 2368) of the Stock Exchange since November 2002; (ii) an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of EPS Creative Health Technology Group Limited, the shares of which are listed on the Main Board (stock code: 3860) of the Stock Exchange since July 2021; and (iii) the company secretary of SuperRobotics Holdings Limited, the shares of which are listed on the GEM (stock code: 8176) of the Stock Exchange since May 2022. He was: (a) an executive director of Pine Technology Holdings Limited, the shares of which are listed on the Main Board (stock code: 1079) of the Stock Exchange from June 2017 to May 2022 but has remained as the company secretary of Pine Technology Holdings Limited since July 2017; and (b) an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of Wai Chun Group Holdings Limited, the shares of which are listed on the Main Board (stock code: 1013) of the Stock Exchange from March 2022 to July 2022.

Mr. Chan has been redesignated as an executive director from an independent non-executive director of the Company on 18 July 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Bo ("Mr. Wan"), aged 54, has been appointed as an Independent Non-executive director of the company since 3 November 2020. Mr. Wan has been the general manager of Guizhou Haiming Real Estate Investment Co., Ltd. since 2001. Mr. Wan also served as the general manager of Guizhou Qianyi Real Estate Development Co., Ltd. from 1991 to 2000. Mr. Wan is an engineer and graduated from East China Jiaotong University with major in Civil Engineering.

Ms. Hong Ting, aged 36, obtained a Bachelor of Business degree from The Chinese University of Hong Kong in 2008. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a Certified Public Accountant (Practising) in Hong Kong. She worked for an international audit firm and has over 14 years of experience in accounting, auditing, taxation and financial consulting. She has experience in performing audits for listed entities and multinational corporations. She has also been actively handling the reporting of major transactions of clients such as initial public offerings projects, very substantial acquisition transactions, very substantial disposal transactions, and right issues. The industries of her clients include property development, manufacturing and retailing, natural resources mining and trading, generation of natural resources, generation and distribution of natural gases, generation and distribution of electricity and power, operation of wind farm, and media and entertainment services.

The Directors of the Company submit their report together with the audited consolidated financial statements for the eighteen months ended 30 June 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding and the principal activities of its subsidiaries are set out in note 36(b) to the consolidated financial statements.

Discussions and reviews of the Group's business and possible risks and uncertainties that the Group may be facing are set out on pages 3 to 5 of this annual report. These discussions form part of this report of the Directors.

RESULTS AND DIVIDEND

The results of the Group for the eighteen months ended 30 June 2022 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 57 to 123.

The Directors do not recommend the payment of a final dividend for the eighteen months ended 30 June 2022 (2020: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, and equipment of the Group during the Period are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the Period are set out in notes 29 and 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the Period are set out in the consolidated statement of changes in equity set out on page 61 and note 31 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2022, the Company did not have any reserves available for distribution to its shareholders (2020: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 124 of this annual report.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Chan Cheuk Ho *(redesignated from INED to executive director on 18 July 2022)*
Mr. Lam Ching Kui *(resigned on 18 July 2022)*

Independent Non-executive Directors

Mr. Wan Bo
Ms. Hong Ting *(appointed on 5 October 2022)*
Mr. Hau Pak Man *(resigned on 10 October 2022)*
Mr. Chan Cheuk Ho *(redesignated from INED to executive director on 18 July 2022)*

The biographical details of the Directors of the Company are set out on page 6 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company, based on such confirmations, considers all the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

The Executive Director has entered into a service agreement with the Company for a term of not more than three years commencing from their date of appointment, which continues thereafter until terminated by either party giving not less than one month notice in writing to the other party.

Each of the Independent Non-executive Directors has entered into a service agreement with the Company for a term of two years from their date of appointment, which can be terminated by either party giving not less than one month notice in writing to the other party. Each of the Independent Non-executive Directors is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company ("AGM") in accordance with the Company's Articles of Association.

No Director proposed for re-election at the forthcoming AGM has service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of emoluments of the Directors are set out in note 13 to the consolidated financial statements.

The Directors' fees are subject to shareholders' approval at the AGM. Other emoluments are determined by the Company's Board of Directors with reference to the recommendations from the Remuneration Committee taking into account the Directors' duties, responsibilities and performance and the results of the Group.

PERMITTED INDEMNITY

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed below in the section headed "Connected Transactions" and in note 35 to the consolidated financial statements, there are no transactions, arrangements and contracts of significance to which the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Period.

COMPETING BUSINESS

None of the Directors had any interests in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the Period and up to the date of this report.

INTERESTS OF CONTROLLING SHAREHOLDER IN CONTRACTS

Save as disclosed below in the section headed "Connected Transactions" and in notes 25, 27, 28, 30 and 35 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in paragraph 16 of Appendix 16 to the Listing Rules) or any of its subsidiaries, at any time during the Period.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions

			Ordinary shares of HK$0.025 each	
Name of Shareholder	**Capacity**	**Long position/ Short position**	**Number of shares/ underlying shares held**	**Approximate percentage of issued share capital**
Mr. Lam Ching Kui	Beneficial owner	Long Position	1,368,004,000 *(Note a)*	81.39%
	Interests of controlled corporations	Long Position	1,231,502,432 *(Note b)*	73.27%

Notes:

a. Mr. Lam Ching Kui directly holds 28,004,000 shares of the Company and the 2% coupon convertible bonds in the principal amount of HK$67,000,000 under which 1,340,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.

b. Mr. Lam Ching Kui is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 811,502,432 shares of the Company. Wai Chun Investment Fund is the sole shareholder of Chinese Success Limited, which is the holder of 2% coupon convertible bonds in the principal amount of HK$21,000,000 under which 420,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.

Other than disclosed above, as at 30 June 2022, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed below in the section headed "Connected Transactions", at no time during the Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long Positions

		Ordinary shares of HK$0.025 each	
Name of Shareholder	**Capacity**	**Number of shares/ underlying shares held**	**Approximate percentage of issued share capital**
Lam Ching Kui *(Note 1)*	Beneficial owner	1,368,004,000	81.39%
	Interests of controlled corporations	1,231,502,432	73.27%
Wai Chun Investment Fund *(Note 1)*	Interests of controlled corporations	1,231,502,432	73.27%
Chinese Success Limited *(Note 1)* ("Chinese Success")	Beneficial owner	1,231,502,432	73.27%
Onward Global Investments Limited *(Note 2)*	Beneficial owner	131,056,000	7.80%
Wan Yuzhen *(Note 2)*	Interests of controlled corporation	131,056,000	7.80%
Fair Concourse Limited ("Fair Concourse") *(Note 3)*	Beneficial owner	141,270,400	8.41%

Name of Shareholder	Capacity	Ordinary shares of HK$0.025 each: Number of shares/ underlying shares held	Ordinary shares of HK$0.025 each: Approximate percentage of issued share capital
Mai Xiu Qun *(Note 3)*	Interest of controlled corporation	141,270,400	8.41%
South Bright Holdings Limited ("South Bright") *(Note 4)*	Beneficial owner	101,723,370	6.05%
Wan Qian Yi *(Note 4)*	Interest of controlled corporation	101,723,370	6.05%
Chen Guanyu *(Note 5)*	Beneficial owner	9,300,000	0.55%
	Interest of controlled corporation	82,246,000	4.89%
Spring Garden Investments Limited ("Spring Garden") *(Note 5)*	Beneficial owner	82,246,000	4.89%

Notes:

(1) Chinese Success, which is wholly owned by Wai Chun Investment Fund, holds 811,502,432 shares of the Company. Mr. Lam Ching Kui, directly holds 28,004,000 shares and is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. As at 30 June 2022, Mr. Lam Ching Kui is also the holder of 2% coupon convertible bonds in the principal amount of HK$67,000,000 under which 1,340,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds. Mr. Lam Ching Kui is the director of Chinese Success and Wai Chun Investment Fund.

On 26 April 2021, Chinese Success converted 21,696,000 convertible preference shares into 21,960,000 ordinary shares of the Company.

On 22 October 2021, Chinese Success entered into a subscription agreement with the Company for the subscription of convertible bonds to be issued by the Company in the principal amount of HK$21,000,000 under a specific mandate to be obtained from independent shareholders of the Company at a general meeting. The specific mandate for the issue of the convertible bonds was granted to the Company in an extraordinary general meeting held on 31 December 2021. The completion for the subscription of the convertible bonds took place on 17 January 2022 following the satisfaction of all the conditions, including but not limited to the granting of listing approval by the Stock Exchange. The Company issued the 2% coupon convertible bonds in the principal amount of HK$21,000,000 to Chinese Success on 18 January 2022, under which 420,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.

(2) These 131,856,000 shares of the Company were held by Onward Global Investments Limited which is wholly-owned by Wan Yuzhen. For the purpose of SFO, Wan Yuzhen is deemed to be interested in these 131,856,000 shares held by Onward Global Investments Limited.

(3) The 141,270,400 shares of the Company were held by Fair Concourse Limited which is wholly owned by Mai Xiu Qun. For the purpose of SFO, Mai Xiu Qun is deemed to be interested in these 141,270,400 shares held by Fair Concourse.

(4) The 101,723,370 shares of the Company were held by South Bright Holdings Limited which is wholly owned by Wan Qian Yi. For the purpose of SFO, Wan Qian Yi is deemed to be interested in these 101,723,370 shares held by South Bright.

(5) The 82,246,000 shares of the Company were held by Spring Garden which is wholly owned by Chen Guanyu. For the purpose of SFO, Chen Guanyu is deemed to be interested in these 82,246,000 shares held by Spring Garden. Chen Guanyu also directly holds 9,300,000 shares of the Company.

Chen Guanyu has 16,270,685 share options under the share option scheme of the Company, representing approximately 0.97% of the existing issued share capital of the Company. The exercise period of the options is 5 years from the date of grant of the options, i.e., from 16 July 2018 to 15 July 2023.

Save for the shareholders as disclosed herein, the Directors and the chief executive officer of the Company are not aware of any persons who, as at 30 June 2022, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

As at 30 June 2022, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

OTHER PERSONS

As at 30 June 2022, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

EQUITY-LINKED AGREEMENT

Convertible Preferences Shares

Details of the convertible preference shares are set out in note 30 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 22 July 2015 ("Share Option Scheme"). Particulars of the Share Option Scheme and detail of share options granted under the Share Option Scheme during the Period are set out in note 33 to the consolidated financial statements.

MANAGEMENT CONTRACTS

During the Period under review, no management and administrative contracts regarding the entire or any major businesses of the Company have been entered into or have existed.

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 Period.

CONNECTED TRANSACTIONS

Tenancy Agreement

A tenancy agreement was entered into between Wai Chun Holdings Group Limited as landlord and the Company as tenant on 1 November 2020 in relation to the left portion of 13/F, Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong, the principal place of business in Hong Kong for a term of two years with a rental of HK$325,000 per calendar month, exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges per calendar month.

Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam Ching Kui and as to the remaining 50% by Ms. Chan Oi Mo. Mr. Lam Ching Kui is a controlling shareholder of the Company and is interested in approximately 49.95% of the issued share capital of the Company and Ms. Chan Oi Mo is the spouse of Mr. Lam Ching Kui. Accordingly, Wai Chun Holdings Group Limited is regarded as a connected person of the Company under the Listing Rules. During the eighteen months ended 30 June 2022, the Company incurred total rental charges of HK$5,850,000 payable to Wai Chun Holdings Group Limited.

The Board classified the transaction under the Tenancy Agreement as connected transaction of the Company under the application of Hong Kong Financial Reporting Standards 16 (“HKFRS 16”) instead of continuing connected transactions under Chapter 14A of the Listing Rules. Furthermore, as the transaction under the Tenancy Agreement should be regarded as acquisition of assets under the definition of transaction set out in Rule 14.04(1)(a) and Rule 14A.24(1) of the Listing Rules, the annual cap requirements under Chapter 14A of the Listing Rules are no longer applicable.

As all the applicable percentage ratios (as defined under the Listing Rules) under the Tenancy Agreement are less than 25% and the total consideration is less than HK$10,000,000, the transaction constituted disclosable and connected transaction of the Company and are subject to announcement requirement but is exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Rule 14A.76 of the Listing Rules.

Issuance of Convertible Bonds

On 22 October 2021, the Company entered into a subscription agreement with Chinese Success, pursuant to which Chinese Success conditionally agreed to subscribe for and the Company conditionally agreed to issue the convertible bonds in the principal amount of HK$21,000,000 (the “Subscription”).

Chinese Success is a controlling shareholder interested in an aggregate of 811,502,432 shares, representing in aggregate approximately 48.28% of the total number of issued shares of the Company. Chinese Success is indirectly wholly-owned by Mr. Lam Ching Kui, who is interested in 28,004,000 shares personally, representing in aggregate approximately 1.67% of the total number of issued shares of the Company. Therefore, Chinese Success is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. An ordinary resolution was passed at the special general meeting of the Company held on 31 December 2021, the issuance of convertible bonds in the principal amount of HK$21,000,000 (the “Issuance”) was approved by the independent shareholders of the Company. The Company has obtained the listing approval regarding the Issuance from the Stock Exchange of Hong Kong Limited on 17 January 2022, and the Issuance was completed on 18 January 2022.

Compliance with Disclosure Requirements

Saved as disclosed in the above section headed "Connected Transactions", all other transactions as shown in note 35 to the consolidated financial statements are connected transactions exempted from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of connected transactions.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Period, the five largest customers of the Group accounted for approximately 44% of total turnover and sales to the largest customer accounted for approximately 16%. The five largest suppliers of the Group in aggregate accounted for approximately 71% of its operating costs for the Period. Purchases from the largest supplier accounted for approximately 55% of its operating costs. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 Period.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of Company Securities.

EMOLUMENT POLICY

As at 30 June 2022, the Group had a total of 156 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Details of the environmental, social and governance of the Group are set out in the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board considers compliance with laws and regulations an important element in the business operation of the Group. The Group's major production facilities and over half of its sales are located in China and compliance with domestic laws and regulations in China is particularly important. The Group has specific personnel to handle and update compliance works in China and they also have the assistance from external legal advisors. The Board considers that the Group's compliance with laws and regulations in China is well monitored.

RELATIONSHIPS WITH STAKEHOLDERS

The Group provides a harmonious and professional working environment to employees and ensures they all are reasonable remunerated. The Company regularly reviews and updates its policies on remuneration and benefits, training, occupational health and safety.

The Group also recognises that it is important to maintain good relationship with business partners to achieve its long-term goals. During the Period, there was no material and significant dispute between the Group and its business partners.

CORPORATE GOVERNANCE

Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITOR

The consolidated financial statements for the eighteen months ended 30 June 2022 were audited by ZHONGHUI ANDA CPA Limited who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board

Chan Cheuk Ho
Executive Director

Hong Kong, 14 November 2022

Corporate Governance Report

The Directors and all members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, entrepreneurship, integrity and sound judgement so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Period, 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.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this annual report, the composition of the Board is set out as follows:

Executive Director

Mr. Chan Cheuk Ho *(redesignated on 18 July 2022)*

Independent Non-executive Directors

Mr. Wan Bo

Ms. Hong Ting *(appointed on 5 October 2022)*

Responsibilities

The Board has a balance of skill and experience and a balanced composition of Executive and Non-executive Directors and is responsible for oversight of the management of the Company's business and affairs. The Board has delegated the day-to-day responsibility to the Executive Director(s) and senior management of the Company.

The Board is responsible for the formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The Executive Director(s) seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and receive adequate and reliable information in relation to matters discussed at Board meetings and also other affairs of the Group on a timely basis.

The Executive Director(s) is responsible for day-to-day management of the Company's operations, financial management and the effective implementation of the overall strategies and initiatives adopted by the Board.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

During the eighteen months ended 30 June 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the board of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of the Board, senior management and shareholders;

- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

Appointment, Re-election and Removal of Directors

The appointment of all the Directors, including Independent Non-executive Directors, is for a specific term of not more than three years from date of appointment. The Company's Articles of Association provides for the retirement of Directors by rotation and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting following the appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Company's Articles of Association. The Board is responsible for the reviewing its composition, monitoring the appointment of directors and assessing the independence of the Independent Non-executive Directors.

Board Meetings

During the eighteen months ended 30 June 2022, the Board held five regular board meetings. In addition, board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are usually attended by Executive Directors only. The Directors attended the meetings in person or through electronic means of communication. The attendance of each Director is set out as follows:

Name of Directors	Number of meetings attended/held
Mr. Lam Ching Kui *(resigned on 18 July 2022)*	5/5
Mr. Chan Cheuk Ho	5/5
Mr. Wan Bo	5/5
Mr. Hau Pak Man *(resigned on 10 October 2022)*	5/5

General Meetings

During eighteen months ended 30 June 2022, the annual general meeting and extraordinary general meeting of the Company were held on 17 June 2021 and 31 December 2021 respectively. The attendance of each Director is set out as follows:

Name of Directors	Number of meetings attended/held
Mr. Lam Ching Kui *(resigned on 18 July 2022)*	2/2
Mr. Chan Cheuk Ho	2/2
Mr. Wan Bo	2/2
Mr. Hau Pak Man *(resigned on 10 October 2022)*	2/2

Board Process

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquiries if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

Directors' Training

According to the code provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a director of listed issuer. Each of the Directors has provided a record of training they received for the eighteen months ended 30 June 2022 to the Company.

Chairman and Chief Executive Officer

Mr. Lam Ching Kui, the Chairman of the Company, was also appointed as the Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises a sufficient number of experienced and high calibre individuals thereof representing the Independent Non-executive Directors of the Company.

Independent Non-executive Directors

The three Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, finance and electrical engineering. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

All Independent Non-executive Directors have been appointed for a term of two years from their date of appointment. Each of the Independent Non-executive Directors is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's Articles of Association.

BOARD COMMITTEES

The Company has set up three committees of the Board, including the Remuneration Committee, Audit Committee and Nomination Committee of the Company, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprises one Executive Director and three Independent Non-executive Directors. Mr. Hau Pak Man is the Chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The Company's emolument policy is to ensure that the remuneration offered to employees including Executive Directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for Independent Non-executive Directors, mainly comprising Directors' fees, is subject to annual assessment with reference to the market standard. Individual Director and senior management would not be involved in deciding their own remuneration.

The model of remuneration committee described in code provision E.1.2(c)(ii) of the CG Code has been adopted by the Remuneration Committee.

During the eighteen months ended 30 June 2022, the Remuneration Committee held one meeting, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Mr. Hau Pak Man *(Chairman, resigned on 10 October 2022)*	1/1
Mr. Lam Ching Kui *(resigned on 18 July 2022)*	1/1
Mr. Chan Cheuk Ho	1/1
Mr. Wan Bo	1/1

During the period under review, the Remuneration Committee reviewed matters relating to remuneration packages of Directors and senior management.

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 eighteen months ended 30 June 2022, in conjunction with the Group's external auditor, ZHONGHUI ANDA CPA Limited.

During the eighteen months ended 30 June 2022, the Audit Committee held three meetings, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Mr. Chan Cheuk Ho *(Chairman, resigned on 18 July 2022)*	3/3
Mr. Wan Bo	3/3
Mr. Hau Pak Man	3/3

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 December 2020, the first interim results for the six months ended 30 June 2021 and the second interim results for the six months ended 31 December 2021 respectively. The Audit Committee has also reviewed the Group accounting principles and practices, Listing Rules and statutory compliance and financial reporting matters. The Audit Committee is satisfied with their review of the independence of the auditor and their audit process for the eighteen months ended 30 June 2022.

The Group's results and consolidated financial statements for the eighteen months ended 30 June 2022 have been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee comprises one Executive Director and three Independent Non-executive Directors. Mr. Lam Ching Kui is the Chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board on new appointment and re-appointment of directors and senior management. New directors are sought mainly through referrals and internal promotions. In evaluating whether an appointee is suitable to act as a Director, the Board will consider his/her qualifications, experience, expertise and knowledge with reference to the Diversity Policy adopted by the Board and the requirements under the Listing Rules.

During the eighteen months ended 30 June 2022, the Nomination Committee held one meeting, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Mr. Lam Ching Kui *(Chairman, resigned on 18 July 2022)*	1/1
Mr. Hau Pak Man *(resigned on 10 October 2022)*	1/1
Mr. Chan Cheuk Ho	1/1
Mr. Wan Bo	1/1

Corporate Governance Functions

The Company's corporate governance functions are carried out by the Board in compliance with the CG Code.

The corporate governance functions currently performed by the Board are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the eighteen months ended 30 June 2022, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

COMPANY SECRETARY

Mr. Chiu Chun Tak resigned as company secretary on 30 April 2021, and Dr. Ng Chun Pang was appointed as company secretary on 5 May 2021 and resigned on 10 May 2021. Mr. Tse Ho Lun Robin ("Mr. Tse") was appointed on 5 November 2021 to fill the vacancy, Mr. Tse resigned on 4 February 2022 and Mr. FENN David ("Mr. Fenn") was appointed as company secretary on the same date. The Company Secretary's functions are to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the Listing Rules and applicable laws and regulations, and to assist the Board in implementing the corporate governance practices.

Mr. Fenn had obtained not less than 15 hours of professional training as required under Rule 3.29 of the Listing Rules during the period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiries to all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Period.

EXTERNAL AUDITOR AND ITS REMUNERATION

HLM CPA Limited ("HLM") was re-appointed as the Auditor in the Company's annual general meetings held on 18 July 2019 and 17 August 2020. On 25 February 2021, HLM has resigned as the Auditor of the Company while ZHONGHUI ANDA CPA Limited ("ZHONGHUI") has been appointed to fill to casual vacancy following the resignation of HLM. ZHONGHUI was re-appointed as the Auditor in the Company's annual general meeting held on 17 June 2021 and to hold office until the conclusion of the forthcoming AGM.

The Auditors' remuneration for the eighteen months ended 30 June 2022 was as follows:

Nature of work	**Fee** *HK$'000*
Audit services	470,000
Non-audit services	100,000

DIRECTORS' RESPONSIBILITY IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge that their responsibilities for preparing the consolidated financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company regarding their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on pages 53 to 56 of this annual report.

GOING CONCERN

Save as disclosed in note 2 to the consolidated financial statements, the Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The objective is to cover all important controls, including financial, operational, compliance, and risk management functions to endure they are in place and functioning effectively for the Group.

The successful management of risk is essential for the long term growth and sustainability of the Group's business. These can only be achievable if certain risks are managed effectively. Effective risk management and strong internal controls are integral to the Group's business model and are reflected in the risk management policy adopted within the business.

Policy

The Group's risk management policy includes the following elements:

- Identification of significant risks in the Group's operation environment and evaluate the impacts of those;
- Develop necessary measure to manage those risks;
- Risk and mitigate measures with risk ownership will be documented in a risk register; and
- Risk register will be monitored and reviewed the effectiveness of such measures regularly.

The Board has delegated the Audit Committee to perform its responsibilities of risk management and internal control systems by performing the following:

- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems annually, and such review should cover all material controls including financial, operational and compliance control; and
- Considers major findings on risk management and internal control matters, implementation of the mitigation activities by the management team, and reports and makes recommendations to the Board.

Internal Audit

The Company does not have an internal audit department. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles of Association and the Companies Law of Cayman Islands. The procedures that shareholders can use to convene an extraordinary general meeting are set out in Article 57 of the Company's Articles of Association.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

There are no provisions allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the procedures set out in the preceding paragraph.

CONSTITUTIONAL DOCUMENTS

During the eighteen months ended 30 June 2022, there was no change in the Company's Memorandum and Articles of Association.

Environmental, Social and Governance Report

OVERVIEW

This is the sixth Environmental, Social and Governance ("ESG") report by Wai Chun Bio-Technology Limited (the "Company", together with its subsidiaries, the "Group") reviewing and reporting its environmental and social obligations performance for the period from 1 January 2021 to 30 June 2022 (the "Reporting Period") in accordance with the requirements of the Appendix 27 ESG Reporting Guide ("Reporting Guide") of the Listing Rules Governing the Listing of Securities on the Main Board of the Hong Kong Stock Exchange ("HKEx") and the Reporting Guide's principles of Materiality, Quantitative, Balance and Consistency.

ESG OBJECTIVES

As stated in its previous ESG reports, the Group is committed to be a successful operator in its business operations, bringing returns to its investors and supporters, giving a healthy and safe working environment to its employees, and helping to provide sustainable developments for the local communities and the Group. The Group has been operating as an open, transparent, and fair enterprise with serious consideration of the environmental and social responsibilities with its business objectives. The Board has taken into account of the listed environmental and social areas and aspects in the Reporting Guide to be significant considerations for its business planning and operation, and has integrated those environmental and social considerations into its business objectives, strategies and practices.

GOVERNANCE STRUCTURE

The Board's Oversight of ESG Issues

The Board, headed by its Chairman and having a balanced mix of skills, expertise and experience from the Executive and Non-Executive Directors, is responsible for the overall formulation and approval of developments, business strategies, policies, annual budget and business plans of its business operations.

The Board has a primary role in overseeing the Group's ESG issues. In Reporting Period, the Board, the management and the ESG Working Team evaluated the impacts of ESG-related risks on the operation and formulated ESG-related policies in dealing with relevant risks. The oversight of the Board is to ensure that the management and the ESG Working Team have all the right tools and resources to oversee the ESG issues.

To demonstrate the Group's commitment to transparency and accountability, the Group has set up the ESG Working Team to review and evaluate its performance in respect of ESG issues and report to the Board regularly.

The Board's ESG Management Approach and Strategy for Material ESG-Related Issues

In order to deeply understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group is able to understand the expectations and concerns from its stakeholders. The feedback obtained allows the Group to make more informed decisions, and to better assess and manage the resulting impacts of the business decisions.

The Group has evaluated the materiality of ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) prioritisation of key ESG aspects with stakeholder engagement; and (iii) validation and determination of material ESG issues based on the results of communication with stakeholders.

These steps can help the Group understand the degree of concern stakeholders show to each ESG issue, and enable the Group to make a more comprehensive plan for the future direction of sustainable development.

The Board's Review Progress against ESG-Related Goals and Targets

The Group will closely review from time to time for the performance and implementation progress of the goals and targets. If the progress falls short of expectation or changes of business operations, it may be necessary to make changes and communicate about the goals and targets with key stakeholders such as employees, customers and suppliers.

The Group has set future strategic goals to enable the Group to develop a realistic path and focus on the development direction for achieving its visions. The ESG Working Team will carefully examine the attainability of the targets which should be weighed against the Group's philosophy and goals.

REPORTING PRINCIPLES

The report is centred on four principles:

Materiality:	Stakeholder engagement and materiality assessment are conducted regularly to identify material ESG issues, and to ensure that these issues are addressed in the report.
Quantitative:	Data presented in this report has been collected prudently. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.
Balance:	Both positive and negative impacts of the business have been presented in a transparent manner.
Consistency:	Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

REPORTING BOUNDARIES

For the Reporting Period ended, the Group's main business has not been changed, which includes: (i) manufacture and sale of modified starch and other biochemical products; and (ii) trading of electronic parts and electrical appliances. The former accounts for majority of the turnover and has been the principle activity of the Group. For the Reporting Period, same as the last year ended, the Group has factory in Shandong, the People's Republic of China (the "PRC") producing modified starch and other biomedical refined oil products (the "Shandong Factory"). The Shandong Factory is considered to be of materiality pursuant to the Reporting Guideline for the purpose of ESG reporting. The scope of this ESG Report therefore includes the environmental and social obligations performance of the Shandong Factory and the management headquarter in Hong Kong for the Reporting Period.

This report focuses on policies and related performance in four environmental aspects and eight social aspects.

ESG MANAGEMENT AND APPROACH

The Board responses to establish and approve the Group's ESG strategies, policies and targets, and has delegated the Chief Executive Officer ("CEO") to have an overall responsibility to implement them. In daily operation, the CEO has directed and assigned the various department heads with the following duties in relation to ESG issues:

- Implement the approved ESG policies, rules and regulations;
- Collect and compile data and statistics on ESG related issues; and
- Review and monitor the legal compliance of the ESG related issues on a regular basis.

STAKEHOLDER ENGAGEMENT

The Group is committed to operating in a socially responsible and transparent manner with regards to all stakeholders, including employees, customers, the Government and regulators, shareholders, suppliers, regulators and the community. To maintain and develop good corporate citizenship, the Group aims to engage fully and openly with all stakeholders through a diverse array of effective communication channels, including:

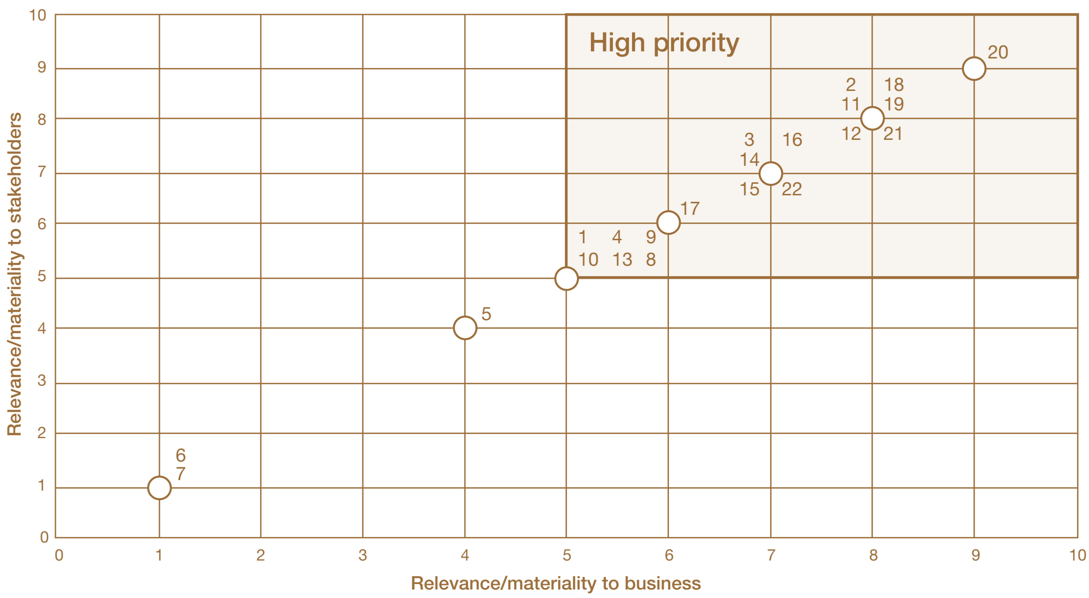
Stakeholders	Expectation	Communication and feedback
Employees	• Career development platform • Employment opportunities and career development	• Annual performance appraisal system and staff communication • Training, seminars and briefing sessions
Customers	• Customer satisfaction	• Company website and customer service hotline
The Government and regulators	• Compliance with laws and regulations • Pay taxes	• Operation with compliance • Pay taxes on time
Shareholders	• Communication with shareholders • Corporate transparency • Financial performance	• Annual general meeting and other general meetings • Investor and press conferences, briefings and company website • Corporate communications including announcements, press releases, circulars, interim and annual reports
Suppliers	• Integrity cooperation	• Regular supplier communications and reviews
Regulators	• Response to inquiries from regulators • Corporate governance • Corporate compliance • Compliance training	• Regular meetings and communications • Corporate governance report • Compliance reports • Training, focus groups and other events
Community	• Community care	• Sponsorships and donations

MATERIALITY ASSESSMENT

The Group directly engaged with the stakeholders as part of the materiality assessment process for developing the report. Materiality is determined by considering Group's most significant economic, environmental, social impacts and understanding stakeholders' concerns.

Based on the results of the assessment, the Company will review its longer-term strategy for addressing specific sustainability issues and explore future opportunities for improving the sustainability performance and reporting.

The Group's ESG importance matrix for the reporting year is as follows:



Environmental issues		Social issues		Operation issues	
1.	Greenhouse gas emissions	9.	Local community engagement	17.	Economic value generated
2.	Energy consumption	10.	Community investment	18.	Corporate governance
3.	Water consumption	11.	Occupational health and safety	19.	Anti-corruption
4.	Waste	12.	Labour standards in supply chain	20.	Supply chain management
5.	Environmental impact caused by business	13.	Training and development	21.	Customer satisfaction
6.	Use of natural resources	14.	Employee welfare	22.	Customer privacy
7.	Customer participation environmental issues	15.	Inclusion and equal opportunities		
8.	Use of chemicals	16.	Talent attraction and retention		

A. ENVIRONMENTAL AREAS

Environmental Areas Overview

The Group has continued with its environmental policies and strategies in developing a sustainable business by undertaking initiatives on resources conservation and environmental protection, as well as saving operation costs. The Group has taken an active role to ensure a sustainable and environmentally-friendly production and operating processes by complying with all related national and provincial laws and standards. When carrying out operational activities, the Group has assumed social responsibilities and initiatives to prevent pollution, reduce wastes and minimize negative impact to the environment, and save energy, water and other resources.

During the production processes, hazardous and non-hazardous air, liquid and solid wastes are generated, emitted and discharged from the Shandong Factory. On the other hand, the trading business operates entirely in our office and no hazardous air, liquid and solid wastes are generated except indirect greenhouse gas and general offices wastes, which are emitted and generated through the use of electricity and offices papers and stationeries.

The Group has a clear policy on controlling air emissions and effluent discharge and disposal of hazardous and non-hazardous wastes from the Shandong Factory. The emissions and discharges have been subject to constant and regular inspection and surveillance of the Group's environmental division and the various government departments. As a matter of fact, its environmental policy has been subject to periodic review at different management levels to cope with any areas warranting our attention and action.

A1. Emissions and Wastes

Hazardous and Non-hazardous Air Emissions

On the modified starch production line, exhausted air with powder dust will be produced during the drying process in which the powdered dust will be filtered and treated with two stages by a spiral dust remover ensuring removal of 99.5% powder dust and meeting local air quality standard before releasing. While on the biomedical refined oil production line, N-hexane produced during the immersion process will be collected by the paraffin collection system and sent to the deodorizing facility for treatment up to the local standard before releasing.

For the Reporting Period, all hazardous air emissions from the Shandong Factory were collected and treated by our own installed systems before releasing. No adverse comments or irregularities were reported from the internal and external control sources. Its performance on pollution control on air emissions met all the local and national standards, and did not give rise to any concern to the Group, local community and government officials.

For the Reporting Period, hazardous gases including Nitrogen Oxide (NO_x), Sulphur Oxide (SO_x), and Particulate Matter (PM) were generated directly from the fuel used for our vehicles.

For the Reporting Period, air pollutant emissions are as follows:

Types of emissions *(Note 1)*	**Units**	**Eighteen months ended 30 June 2022**	2020
Nitrogen Oxide (NO_x)	gram	**354.70**	395.16
Sulphur Oxide (SO_x)	gram	**6.91**	7.78
Particulate Matter (PM)	gram	**26.12**	29.10

Note 1: The emission factors used to calculate the NO_x, SO_x and PM are sourced from: (i) the Hong Kong Environmental Protection Department's EMFAC-HK Vehicle Emission Calculation model and (ii) the United States Environmental Protection Agency's Vehicle Emission Modeling Software – MOBILE 6.1; and the assumptions of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30km/h, and include running exhaust emissions only.

Reduction Target of Air Emissions

Air Emissions	**Reduction Target**	**Baseline Year**	**Status**
Nitrogen Oxide (NO_x) emission intensity	Reduce 2% by 2026	2020	In progress
Sulphur Oxide (SO_x) emission intensity	Reduce 2% by 2026	2020	In progress
Particulate Matters (PM) emission intensity	Reduce 2% by 2026	2020	In progress

The main sources of the Group's greenhouse gas emissions are direct emissions from mobile combustion sources ("Scope 1"), indirect emissions from acquired electricity emissions ("Scope 2") and other indirect emissions ("Scope 3").

For the Reporting Period, the greenhouse gas emissions are as follows:

Types of emissions	**Units**	**Eighteen months ended 30 June 2022**	2020
Emission of greenhouse gases (Scope 1)	Tonnes CO_2e	**1**	2
Emission of greenhouse gases (Scope 2) *(Note 1)*	Tonnes CO_2e	**16,776**	9,912
Emission of greenhouse gases (Scope 3)	Tonnes CO_2e	**139**	100
Total greenhouse gas emissions	Tonnes CO_2e	**16,916**	10,014
No. of employee		**156**	127
Greenhouse gas intensity (Total emissions/no. of employee)	Tonnes CO_2e/ No. of employee	**108**	79

Scope 1: It represents the petrol from consumption of motor vehicles.

Scope 2: It represents the electricity purchased from power suppliers.

Scope 3: It represents the paper waste disposed at landfills and water used.

Note 1: Emission factors are derived from the national emission coefficient of the PRC and Sustainability Report 2021 of HK Electric Investments. These data are calculated on the basis of the emission factor of North China Power Grid for 2019 in accordance with the Reporting Guidance on Environmental KPIs.

For the Reporting Period, greenhouse gas (GHG) were directly generated from the use of fuel by vehicles usage and indirectly from the use of electricity, and other emissions are generated from the consumption of waste paper and water, amounted to 1 tonne, 16,776 tonnes and 156 tonnes respectively. Comparing with 2020, the greenhouse gas emissions decreased by 6,902 tonnes.

Reduction Target of GHG Emission	Reduction Target	Baseline Year	Status
GHG emission intensity (Scope 1)	Reduce 2% by Year 2026	2020	In progress
GHG emission intensity (Scope 2)	Reduce 2% by Year 2026	2020	In progress
GHG emission intensity (Scope 3)	Reduce 2% by Year 2026	2020	In progress

Noise Pollution

The Group has complied with all the national and local laws, rules and regulations to ensure noises produced from the Shandong Factory are under strict control. Furthermore, there are no residents who are living to close the Shandong Factory. Hence, for the Reporting Period, the Shandong factory did not receive any complaints related to noise emission. While the noises produced from the operations and activities of the offices are considered to be insignificant.

Light Pollution

The operations and activities of the Shandong Factory and offices do not generate and emit any light pollution. The Shandong Factory and the offices have been designed, decorated and installed with the lighting systems strictly in compliance with the local requirements and standards, and no light pollution is caused. For the Reporting Period, the Group did not receive any complaints related to light emission.

Water Pollution and Discharge

The Shandong Factory's production process generates and discharges polluted liquid wastes which may have serious negative impact on the environment if it is not properly managed and controlled. Since the Shandong Factory does not have approved built-in liquid wastes discharge outlets, it has sub-contracted the licensed contractors to collect, treat and dispose all those polluted liquid wastes. The Group also generates used water from daily living and hygiene purposes by its staff and office and factory workers. The used water is discharged into the public sewage system for further treatment.

Solid Wastes Discharge and Disposal

The Shandong Factory's modified starch and refined corn oil business generate solid wastes, which are residuals from the Shandong Factory. The residuals can be hazardous if they are discharged and disposed without proper treatment. The Group has sub-contracted professional licensed contractors to collect and to dispose these residuals. The Group also generates non-hazardous general wastes such as used paper packaging materials, office wastes, general rubbish, hygiene and living wastes. All these wastes are disposed either to rubbish bins which will be collected by the cities' urban cleaning services on daily basis, or to be collected for further disposal and handling by relevant collectors. For the Reporting Period, the emissions of hazardous waste and non-hazardous waste are as follows:

Hazardous and Non-hazardous Waste Generated	Units	Eighteen months ended 30 June 2022	2020
Total hazardous waste *(Note 1)*	Tonnes	**N/A**	N/A
Density of hazardous waste *(Note 1)*	Tonnes/No. of employee	**N/A**	N/A
Total non-hazardous waste	Tonnes	**6,147**	4,514
Density of non-hazardous waste	Tonnes/No. of employee	**40**	36

Note 1: As the hazardous liquid waste and solid waste generated by the Shandong factory have been collected and disposed of by a licensed contractor, there is no statistically relevant data.

Reduction Targets of Non-hazardous Waste Generated	Reduction Target	Baseline Year	Status
Non-hazardous waste produced intensity	Reduce 2% by Year 2026	2020	In progress

Mitigation Measures

In order to become an environment responsible corporation and for protecting the environment and conserving natural resources, besides full compliance with all the national and local environmental laws, rules and regulations and industrial standards, the Group has implemented following environmental friendly measures into its daily operation and activities to reduce and forbid adverse impacts on our environment.

The Group has appointed responsible officers to regularly inspect the offices and the Factory during working hours to ensure that (i) fresh water is not wasted and used reasonably; and (ii) power is turned off when work is not being carried out or it is not in use; and (iii) investment in fresh water and energy saving tools and equipment such as the installation of water measuring meters, LED lights and solar energy systems to reduce consumption. The Group has also encouraged economic use and recycling of resources to prevent and to reduce wastes. All hazardous wastes produced are collected and disposed of by professional licensed contractors. All hazardous air emissions are treated by our own installed systems before releasing. Non-hazardous wastes are also taken care of by local waste collectors.

Compliance with relevant laws and regulations
For the Reporting Period, the Group complied with all disposal regulations and procedures. Internal and external control sources did not report any negative comments or violations. The treatment of air, water and solid waste pollution control by the Group complies with local and national standards.

A2. Use of Resources
The Shandong Factory uses electricity, steam, water and fuel for the production of modified starch and biomedical refined oil products whereas Group's offices only use electricity for daily use, water for general hygiene and cleaning needs, printing papers and packing materials for general use. Besides raw materials used to produce the modified starch and biomedical refined oil products, the Group has not used other natural resources in a significant amount in its business activities and operations.

The Group is committed to act responsibly through complying with all the environmental laws rules and regulations, eliminating all possible impacts on the environment and saving its operational costs. The Group promotes efficient uses of resources including electricity, fuel, fresh water, steam, paper and packaging materials through the introduction of various measures disclosed in above and previous ESG reporting. For the Reporting Period, the Group did not have any abnormal or excessive use of resources, especially electricity, water, steam, paper and packaging materials.

Electricity and Fuel Consumption
The Group uses electricity and fuel for production in the Shandong Factory, and only electricity for its office operation. All electricity is supplied from the cities gridlines, and there is no problem on supply. For the Reporting Period, the offices consumed 28,029 kWh electricity (2020: 23,611 kWh), which was 4,418 kWh higher than 2020. For the Reporting Period, the total electricity consumption in the Shandong Factory amounted to 17,790,061 kWh (2020: 10,505,486 kWh), which was 7,284,575 kWh higher than 2020.

For the Reporting Period, the Group consumed 470 litres fuel (2020: 529 litres) by the offices which were decreased by 59 litres. The Group is aware of this increase and has taken various measures to avoid unnecessary fuel consumption.

Fresh Water and Steam Consumption
The Shandong Factory relies totally on city water supply which is the only source for both production and general use. The Factory production is critically dependent upon a reliable incoming source supply and a quality which meets with our production requirements. Not only it is economically imprudent to source alternative water source, it is also insurmountable, if not impossible, by technical production parameters to use water from recycled sources without incurring hefty additional costs and unwarranted extra environmental discharges. For the Reporting Period, the Shandong Factory consumed a total of 162,614 m^3 of fresh water (2020: 116,317 m^3), which was 46,297 m^3 higher than 2020. There is no any issue in sourcing water that is fit for the usage of the Group.

Steam is supplied from the city pipeline. For the Reporting Period, the Shandong Factory consumed 95,575 m^3 of steam (2020: 63,896 m^3), which was 31,679 m^3 higher than 2020.

Paper and Packaging Materials and Other Raw Materials Consumption

The Group's activities and operations do not consume substantial amounts of paper and packaging materials. To save operational costs and to improve its environmental friendly footprint, the Group has encouraged employees to employ digital storage and communication so as to reduce paper usage. We have also encouraged our employees to practice the 3-R principle (reusing, recycling and reducing) on paper and packaging materials consumption.

Packaging materials are used for the finished products manufactured by the Factory. The packaging materials used are fit for purpose and meet all specifications with non-toxicity and environmental friendliness being the primary concern. For the Reporting Period, the Group was not aware of any excessive use of paper and packaging materials.

For the Reporting Period, the Group's resource consumption is as follows:

Resource	**Units**	**Eighteen months ended 30 June 2022**	2020
Electricity consumption	kWh	**17,818,090**	10,529,097
Fuel consumption *(Note 1)*	kWh	**4,556**	5,127
Total energy consumption	kWh	**17,822,646**	10,534,224
Total energy consumption intensity	kWh/no. of employee	**114,248**	82,947
Water consumption	m^3	**162,614**	116,317
Water consumption intensity	m^3/no. of employee	**1,042**	916
Steam consumption	m^3	**95,575**	63,896
Steam consumption intensity	m^3/no. of employee	**612**	503
Total packaging	Tonnes	**706**	504
Total packaging intensity	Tonnes/no. of employee	**4.5**	4

Note 1: The conversion factors used to calculate the units to kWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.

Reduction target of energy and water consumption

Environmental Indicators	**Reduction Target**	**Baseline Year**	**Status**
Energy consumption intensity	Reduce 2% by Year 2026	2020	In progress
Water consumption intensity	Reduce 2% by Year 2026	2020	In progress
Steam consumption intensity	Reduce 2% by Year 2026	2020	In progress
Total Packaging intensity	Reduce 2% by Year 2026	2020	In progress

A3. The Environment and Natural Resources

The Group's operations and activities consume a fair amount of fresh water and steam which are considered to have impacts on the natural resources. The emission and discharge of exhausted air with impurities and waste water from the Factory are considered to have impacts on the environment. On the former, the Group has carried out measures to reduce their consumption successfully. On the latter, the exhausted air has been filtered and the waste water has been collected, treated and disposed by licensed operators without causing any problems to the environment.

The Group is aware of its environmental obligations and has not violated any of the national and local environmental laws, rules and regulations. The 3-R principle (reduce, reuse and recycle) is the main approach which the Group has implemented. Also, the Shandong Factory has constantly look for alternative means to conserve natural resources, to reduce pollution and to sustain environmental development.

A4. Climate Change

Awareness over climate change continues to grow and climate change is one of the most discussed topics among companies. The Group is no exception in increasing its awareness over the potential impact of climate change on the Group's business and operation. The Group regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks that may affect the Group's business operations.

In accordance to the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, being the physical risks and transition risks. The Group will develop a response plan immediately such as changing the business strategy and modifying the development plan in order to reduce the negative impacts of such climate-related risks.

The Group will continuously incorporate sustainable practices in its business operations and prepare and maintain sufficient resources for managing identified climate-related risks and studying the potential remediation measures.

In Reporting Period, there was no climate-related risk, including physical risks and transition risks, that had a significant impact on the Group.

B. SOCIAL

Social Areas Overview

As stated in the corporate objective statement, the Group is committed to bringing returns to its investors and supporters, providing a healthy and safe working environment to its employees, and creating a sustainable development for the local communities. It has therefore formulated and implemented its ESG strategies, policies, rules and regulations by incorporating its long and short term goals with considerations on the stakeholders and the society. It has committed to operating its business in an open, transparent and fair way, through which will bring benefits to stakeholders and contribute the growth and development of the local communities and society. The ESG Guide states that Social aspects include "Employment and labour practices" and "Operation practices", which are reported herein below:

B1. Employment

The Group has continued the following employment policies and practices throughout the Reporting Period:

- Complies with all the national and local employment laws, rules and regulations;
- Provides a safe and pleasant working environment to its employees;
- Implements a fair and responsible human resources policies with equal opportunities for all without discrimination on recruitment, promotion, remuneration, benefits, training, dismissals etc.;
- Enters into proper written employment contracts with employees;
- Provides and maintains statutory benefits to all qualified staff, including but not limited to mandatory provident fund, central social security insurance, medical insurance, work injury insurance and compensation in accordance with the requirements of the laws of Hong Kong and the PRC;
- Offers remuneration packages with reference to the prevailing market level in line with competency, qualifications and experience; and
- Opens up opportunities for employees to move on vertical and horizontal career path etc..

Employment Locations

For the Reporting Period, the Group employed a total of 156 employees including 11 in the headquarter and 145 in the Shandong Factory. In 2020, the number of employees in total was 127 including 16 in the headquarter and 111 in the Shandong Factory.

Employee Compensation Package

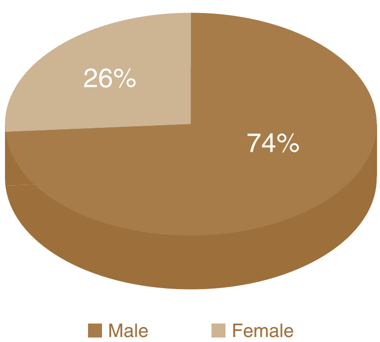
The Group has continued to comply with the relevant laws and regulations of the "Labor Law of the PRC"《中華人民共和國勞動法》and "Employment Ordinances of the Hong Kong and has totally forbidden the recruitment of child labour and forced labour. All employees are required to sign contracts containing detailed terms and conditions including but not limited to amount of salaries and wages, benefits, medical and accidental insurance, unemployment funds, working hours, employee rights to join trade unions and to have holidays and so on, and such contracts are filed with the local Human Resource Bureau.

The Group has paid competitive market salaries and wages to its employees, and for special talented, skilled and qualified employees, it has remunerated them either by offering higher than market salaries and wages or additional benefits.

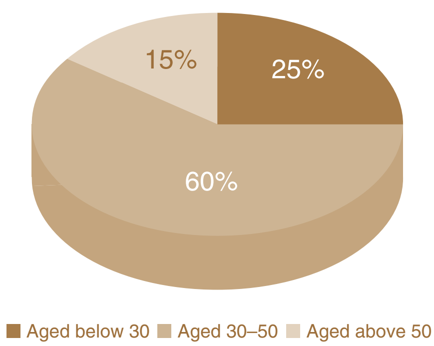
Compliance with Relevant Laws and Regulations

In accordance with the requirements of the laws of the PRC and Hong Kong, where appropriate, the Group has provided and maintained statutory benefits to all qualified employees, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays. Similar to the situation in 2020, for the Reporting Period, the Group did not record any legal disputes with employees in terms of remuneration, wages and other benefits, and payment of remuneration.

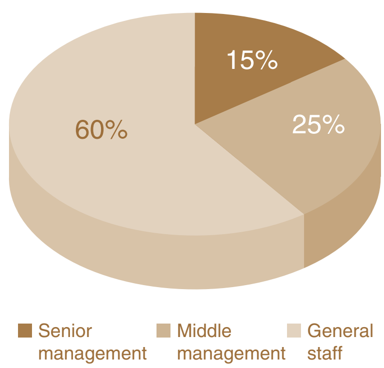
By gender



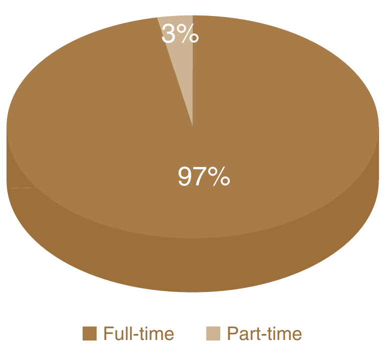
By age band



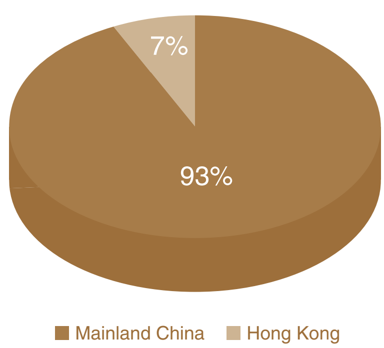
By rank



By employment category



By geographical region



The Group's employee turnover rate during the Reporting Period is stated as follow (Note 1):

Employee turnover rate	Eighteen months ended 30 June 2022
Turnover rate by gender *(Note 1)*	
Male	**26%**
Female	**20%**
Turnover rate by employment category *(Note 1)*	
Full-time	**25%**
Part-time	**–**
Turnover rate by age *(Note 1)*	
Under 30 years old	**26%**
30–50 years old	**27%**
Over 50 years old	**13%**
Turnover rate by geographical region *(Note 1)*	
Mainland China	**19%**
Hong Kong	**91%**

Note 1: The employee turnover rate is calculated based on the number of employees who left employment in such category during the Reporting Period divided by total number of employees as at 30 June 2022 in such category.

B2. Health and Safety

The Group has continued to safeguard health and safety, and to provide a safe, clean and pleasant working environment to its employees. The main considerations on policies planning, budget allocation and measures implementation for the Reporting Period are summarized in the below:

- The Group constantly improves the occupational safety and health management system in order to reduce risks and create a safe working environment;

- The Group ensures all the safety, medical and hygiene equipment are adequately in place and are operating efficiently, passing inspections and complying with all the safety and hygiene rules and regulations;

- The Group requires all employees to strictly comply with the health and safety policies, rules and regulations, and has constantly alerted the employees to perform their tasks under safety conditions;

- The Group has taken out National Social Securities and Insurance for all qualified employees of the Factory and employee compensation for employees in Hong Kong in accordance with the statutory requirements of the respective places; and

- In case of accidents, regardless of being minor or serious, employees are required by the in-house rules to notify their superiors immediately, who will take appropriate measures to ensure safety is not being compromised.

During the 2019 novel coronavirus pneumonia outbreak, the Group strictly adopted a number of preventive policies, including: (i) maintaining air circulation in the office area during working hours; (ii) personal health management; (iii) frequent cleaning of the office area; (iv) employees must wear masks before entering the office area; and (v) measure the body temperature of employees and customers when entering the office area.

Accident Notification	**Eighteen months ended 30 June 2022**	2020	2019
Number of work-related fatalities *(Note 1)*	**–**	–	–
Work-related fatalities rate	**–**	–	–
Lost days due to work injury *(Note 1)*	**–**	–	–

Note 1: In the Reporting Period, the Group did not have employees involved in work-related fatalities and injuries.

Compliance with Relevant Laws and Regulations

The "Employees' Handbook", "Labor Contract for Chinese Employees" and "Employment Contract for Hong Kong Employees" have detailed health and safety guidelines and measures. They comply with the Hong Kong Employment Ordinance and Chinese labor laws and regulations. The relevant regulations have been fully complied with. For the Reporting Period, the Group did not report any major work-related deaths or injuries. In addition, there were no significant fines or sanctions due to violations of relevant laws and regulations for the Reporting Period.

B3. Development and Training

The Group continues with its policy to provide the required level of training in terms of skills and job knowledge, plant operations and production know-hows to employees at various levels so that they can carry out job duties in a competent and capable manner. As many employees come from the rural areas with limited skills, the Group has instructed the human resources department to design special training programs for the new employees which should include occupational health and safety, products knowledge and skills, products and services quality, etc. The Group has also supported its employees to continue learning their job skills. Individual employees can apply for further development and training and the Group will sponsor or allow paid leave for the employees to attend the job related training programs.

During the Reporting Period, the percentage of employees trained is as follows:

	Eighteen months ended 30 June 2022
Percentage of employees trained *(Note 1)*	**36%**
Percentage of employees trained by gender *(Note 2)*	
Male	**71%**
Female	**29%**
Percentage of employees trained by employee category *(Note 2)*	
Senior management	**75%**
Middle management	**25%**
General staff	**–**

Note 1: It is calculated by dividing the number of employees who took part in training by the number of employees as at 30 June 2022.

Note 2: It is calculated based on the number of employees trained in each category during the Reporting Period divided by the number of employees who took part in training.

During the Reporting Period, the percentage of employees average training hours completed per employee is as follows:

	Eighteen months ended 30 June 2022
Total training hours	**246.4**
Average training hours completed per employee *(Note 1)*	**1.6**
Average training hours completed per employee by gender *(Note 2)*	
Male	**1.9**
Female	**0.5**
Average training hours completed per employee by employee category *(Note 2)*	
Senior management	**9.7**
Middle management	**0.6**
General staff	**–**

Note 1: It is calculated by dividing the total number of training hours by the total number of employees as at 30 June 2022.

Note 2: It is calculated by dividing the total number of training hours for such category by the number of employees as at 30 June 2022 in such category.

B4. Labour Standards

The Group continues to adopt and to ensure stringent compliance of the national standard of China and the local standard of Hong Kong as its minimum labour standard on labour protection and welfare. The Group has honored all of its obligations towards the employees under the signed employment contracts and the terms and conditions written in the Employee Handbook, and have built a safe, healthy and harmonious working environment in all its offices and the Factory. The Group has not been prosecuted for any breach of labour safety and employment laws for the Reporting Period.

Banning the employment of child labour and forced labour is achieved through the recruitment and employment process at source. The HR department has been fully charged with this statutory duty and is being oversighted by the senior levels with constant reviews at periodic intervals.

All job applicants are required to submit their credentials like academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment. This aims at barring illegal employment.

The Group never supports any forms of child or forced labour employment. To this end and for compliance reasons, the Group maintains personal files on all employees which includes information such as the employees' personal background information and credentials including copies of ID and passport, academic qualifications and certificates, references, and performance assessment. In case of child labour and forced labour, the Group will immediately terminate the labour contract with the employee concerned and the position in-charge will be accountable.

Compliance with Relevant Laws and Regulations

For the Reporting Period, the Group did not find any material violations of relevant laws and regulations that prohibit the Group from employing child labor or forced labor. The Group strictly abides by local laws and regulations related to labor standards, such as the "Hong Kong Employment Ordinance", the "Labor Law of the People's Republic of China", the "Minors Protection Law of the People's Republic of China" and the "Provisions on Prohibition of Child Labor." In addition, there were no material fines or sanctions for non-compliance with relevant laws and regulations for the Reporting Period.

B5. Supply Chain Management

The ESG Guide states that "supply chain management covers the management of sourcing and procurement". The Group continues its policy to open its purchases to all suppliers on a fair and equitable manner to achieve an efficient and stable supply of quality goods and services and elimination of malpractices. All purchases are executed and recorded in accordance with the in-house rules which predominantly imposes concern for and attaches importance to its fit for purpose, safety and reliability. Other secondary considerations are in areas like price, sustainable availability and reputation of the suppliers. Suppliers are chosen basing on their continuous ability to guarantee satisfactory product quantity and quality, reasonable pricing and timely delivery. New suppliers are required to provide relevant certifications/documents and track records.

The Group understands that quality and technical standard of the raw materials are crucial and instrumental to the Factory output quality. The Group attaches great importance to the quality and standards of the incoming raw materials. A stringent specification stipulation policy on procurement has been established and in force where applicable in the procurement process. Incoming key materials will be subjected to our own quality assurance checks. As far as condition warrants and permits, the Group may impose a condition in the procurement documents to reserve the right to inspect and examine the raw materials before purchase.

If more than one company meets its criteria, the Group will choose those with good reputation in environmental protection and social responsibility or holding environmental protection certification. The Group strictly abides by the laws and regulations governing its business, and has been adopting good practices and fair and just procurement procedures to transact with suppliers.

In addition to complying with quality and legal requirements, the Group expects suppliers to adopt fair labour practices and fulfil their environmental responsibilities. The Group reviews new suppliers before purchasing. Only qualified suppliers will remain on the list of suppliers. Cooperation will be terminated should there be any serious violation.

For the Reporting Period, the Group's suppliers did not have any significant and potential negative impact on business ethics, environmental protection, human rights, labour practices and did not involve any violation of human rights.

For the Reporting Period, the Group mainly purchased raw materials required for production in its factories from local and overseas suppliers. The Group has always maintained a stable source of supply, and it is expected that its source of supply will not pose a potential threat to the Group's factory operations. In general, the Group will reach a procurement agreement with suppliers in nearby regions to support the local economy.

In the Reporting Period, the number of suppliers by region was as follows:

Suppliers by geographical region	**Eighteen months ended 30 June 2022**
Mainland China	**461**
Hong Kong	**–**

B6. Product Responsibilities

Quality and Safety

The Group fully understands the importance of product quality and safety on its sales and ability to retain its customers and to expand its market shares.

To guarantee safety and quality of our products, the Group has obtained ISO9001-2008 on quality management certification and CNCA/CTS 0010-2008A (CCAA 0005-2014) on food safety management system certification. The Group has also obtained CNCA/CTS 0020-2008A (CCAA 0014-2014) certification for starch and starch products production.

In provision of products and services, on the PRC business front, the Group strictly complies with the PRC Law on Product Quality, the PRC Law on the Protection of Consumer Rights and other relevant laws and regulations.

The Group has taken all reasonable measures and steps to ensure that the products sold and delivered are safe, accurate, up to standard and in compliance with all agreed or statutory requirements and industry's standard and are conducted in accordance with the terms and conditions of the contract sales.

The Group has taken all reasonable measures and steps to ensure that the products sold and delivered are safe, accurate, satisfactory and meet all agreed or legally requirements and industries' standards, and pursuant to the terms and conditions of the sales and purchase contracted.

For the Reporting Period, the Shandong factory had no sales returns or rejections due to product quality problems, or complaints from customers, consumer committees or relevant government agencies about the quality of their products. In addition, there was no report on material penalties for the Reporting Period.

In the Reporting Period, the number of complaints and product recalling cases is as follows:

Complaint and product recalling case	Eighteen months ended 30 June 2022
Numbers of complaints	–
Number of products to be recalled for health and safety reasons	–

Customer Services and Complaints

Policies and procedures have been in place to ensure that all customer concerns and complaints are addressed at the appropriate levels and in a timely manner. The Sales account executives are the immediate front line employees to monitor and to review the performance of the delivered quality of products, and to receive complaints, concerns or dissatisfactions. In addition, the Group actively communicates with customers through various communication channels (including but not limited to face-to-face, Weibo, email and telephone), and has an in-depth understanding of customers' needs and concerns.

Intellectual Property

The Group recognizes the importance and values of intellectual property rights. The Group attaches great respect for and importance to intellectual rights in our business operations.

The technology for production of modified starch and biomedical refined oil products has been matured and commonly known. The Group sells the modified starch and biomedical refined oil products under its own brands. Therefore, the Group expects that its products will not have any intellectual property issues.

Privacy and Consumer Data Protection

The Group's operations and activities have generated and accumulated a certain amount of private, confident and sensitive information especially on the buyers and suppliers during the sales and purchases processes. The Group is aware of its obligations and has kept the information under secured conditions. Employees have been notified and legally bounded in the employment contracts that they are obligated to honour the "Confidentiality Undertaking" that no disclosure and/or leakage in whatever forms of the confidential information shall be accessed and/or obtained without approval. Legal actions will be taken if violation takes place.

The business operations of the Group in Hong Kong and the PRC entails the collection and storage of data of various nature. They could be personal privacy data or business data or personal data of employees etc. The Group is fully aware of the implication and importance in careful handling of such data. Personal Privacy Data Ordinance of the law of Hong Kong has various governing provisions in the use, handling and storage of privacy data and the Group is committed to fully abide by it. The Group takes no different stance in the protection of data protection in the absence of statutory control.

Data of our employees, customers and suppliers are kept under a secure and confidential system by our senior management, and use of this data is subject to strict rules and procedures. We have not experienced any privacy information leakage for Reporting Period.

Compliance with Relevant Laws and Regulations

For the Reporting Period, no violations and regulations related to intellectual property and privacy and consumer data protection issues were discovered or recorded, which resulted in material fines or sanctions.

B7. Anti-corruption

As disclosed in the introduction section, anti-corruption is a material aspect to all stakeholders. The Group has the social responsibility, as well as the duty to safeguard the assets and interests of all our stakeholders. The Group has therefore implemented a "NO" tolerance approach to bribery, extortion fraud, and money laundering crimes.

The Group has incorporated anti-corruption, anti-bribery and malpractices clauses into the employee Handbook and Employment Contract, which strictly prohibit to offer, give, demand or accept any undue advantages (including but not limited to money, favours, gifts, discounts, services, loans etc.,) to or from any person in order to obtain or retain business. Employees at all levels are constantly reminded on fulfilling their ethical obligation on corruption and giving and taking of interests and benefits. Staff are required to declare any conflict of interest in the execution of their roles. Through the establishment of these rules and regulations, the Group encourages all employees to discharge their duties with integrity and comply with the relevant laws and regulations.

Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved.

The Group provides anti-corruption education and training through webcast and circulation of e-training materials to its directors and staff on a regular basis to raise their awareness towards ethical and corruption issues.

Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate. No adverse comment on this aspect has been received from the external auditor. Money laundry should not be our concern and there were no enquiries or concerns from the government or banking officials.

Compliance with Relevant Laws and Regulations
For the Reporting Period, neither the Group nor its employees participated in any legal cases related to bribery, extortion, fraud or money laundering. The Group strictly abides by the "Anti-Unfair Competition Law of the People's Republic of China", the "Regulations on the Prevention of Bribery" and other local laws and regulations related to anti-corruption.

For the Reporting Period, the Group did not record any no bribery case nor corruption charge.

B8. Community Investment
The Factory continued to provide over 120 jobs especially to low skilled city and country-side workers in the Reporting Period, and to support its employees to participate in voluntary services to the local villages and community on paid leaves.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Aspect	KPI	Description	Page number/ Remarks
Environmental			
A1 Emissions	A1	General Disclosure	Page 33
	A1.1	Types of air emissions and respective emission data	Page 34
	A1.2	Greenhouse gas emissions in total and intensity	Page 34–35
	A1.3	Total hazardous waste produced	Not applicable
	A1.4	Total non-hazardous waste produced	Page 36
	A1.5	Description of measures to mitigate emissions and results achieved	Page 35
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Page 36
A2 Use of Resources	A2	General Disclosure	Page 37
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	Page 38
	A2.2	Water consumption in total and intensity	Page 38
	A2.3	Description of energy use efficiency initiatives and results achieved	Page 38
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Page 37
	A2.5	Total packaging material used for finished products	Page 38
A3 The Environment and Natural Resources	A3	General Disclosure	Page 39
	A3.1	Significant impact of business activities on the environment and natural date and actions taken to manage the impact	Page 39
A4 Change of Climate	A4	General Disclosure	Page 39
	A4.1	Significant climate related matters and response actions that have affected and may affect the issuer	Page 39

Aspect	KPI	Description	Page number/ Remarks
Social			
B1 Employment	B1	General Disclosure	Page 40
	B1.1	Total number of employees by sex, type of employment, age group and region	Page 41
	B1.2	Employee turnover rate by gender, age group and region	Page 42
B2 Health and Safety	B2	General Disclosure	Page 42
	B2.1	Number and rate of fatalities due to work	Page 43
	B2.2	Number of working days lost due to work injury	Page 43
	B2.3	Occupational health and safety measures, and relevant implementation and monitoring methods	Page 43
B3 Development and Training	B3	General Disclosure	Page 43
	B3.1	Percentage of employees trained by gender and employee category	Page 44
	B3.2	Average hours of training completed by each employee by gender and employee category	Page 44
B4 Labor Standard	B4	General Disclosure	Page 45
	B4.1	Review recruitment practices to avoid child labor and forced labor	Page 45
	B4.2	Steps taken to eliminate violations when they are found	Page 45
B5 Supply Chain Management	B5	General Disclosure	Page 45
	B5.1	Number of suppliers by region	Page 46
	B5.2	The practice of employing suppliers, the number of suppliers to whom relevant practices are implemented, and the relevant implementation and monitoring methods	Page 46
	B5.3	Identify the practices of environmental and social risks in each link of the supply chain, as well as relevant implementation and monitoring methods	Page 46
	B5.4	Promote the practice of using more environmentally friendly products and services when selecting suppliers, and the relevant implementation and monitoring methods	Page 46

Aspect	KPI	Description	Page number/ Remarks
Social			
B6 Product Responsibility	B6	General Disclosure	Page 46
	B6.1	The percentage of the total number of products sold or shipped that must be recalled for safety and health reasons	Page 47
	B6.2	The number of complaints received about products and services and the response methods	Page 47
	B6.3	Describe the practices related to the maintenance and protection of intellectual property rights	Page 47
	B6.4	Describe the quality verification process and product recovery procedure	Page 47
	B6.5	Consumer data protection and privacy policies, and related implementation and monitoring methods	Page 48
B7 Anti-corruption	B7	General Disclosure	Page 48
	B7.1	The number and results of corruption lawsuits filed and concluded against the issuer or its employees during the reporting period	Page 49
	B7.2	Preventive measures and reporting procedures, as well as relevant implementation and monitoring methods	Page 49
B8 Community Investment	B8	General Disclosure	Page 49
	B8.1	Focus on the scope of contribution	Page 49

ZHONGHUI

TO THE SHAREHOLDERS OF WAI CHUN BIO-TECHNOLOGY LIMITED
瑋俊生物科技有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wai Chun Bio-Technology Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") set out on pages 57 to 123, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the eighteen months ended 30 June 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the eighteen months ended 30 June 2022 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$21,545,000 for the eighteen months ended 30 June 2022 and as at 30 June 2022, the Group had net current liabilities of approximately HK$25,489,000. 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related To Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

(I) Impairment assessments of trade and bills receivables, and deposits, prepayments and other receivables

Refer to note 19 and note 20 to the consolidated financial statements.

The Group tested the amount of trade and bills receivables, and deposits, prepayments and other receivables for impairment. This impairment test is significant to our audit because the balance of trade and bills receivables, and deposits, prepayments and other receivables of approximately HK$48,486,000 and of approximately HK$36,421,000 as at 30 June 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;
- Assessing the Group's relationship and transaction history with the customers and debtors;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing credit worthiness of the customers and debtors;
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements; and
- Testing subsequent settlement of receivables after the end of the reporting period on a sample basis.

We consider that the Group's impairment test for trade and bills receivables, and deposits, prepayments and other receivables is supported by the available evidence.

KEY AUDIT MATTERS (continued)

(II) Inventories

Refer to note 18 to the consolidated financial statements.

The Group tested the amount of inventories for impairment. This impairment test is significant to our audit because the balance of inventories of HK$60,349,000 as at 30 June 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on ordering and holding of inventories;
- Evaluating the Group's impairment assessment;
- Assessing the ageing of the inventories;
- Assessing the net realisable values of the inventories; and
- Checking subsequent sales and usage of the inventories.

We consider that the Group's impairment test for inventories is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre.

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Shun Fai
Audit Engagement Director
Practising Certificate Number P05498

Hong Kong, 14 November 2022

Consolidated Statement of Profit or Loss

For the eighteen months ended 30 June 2022

	Note	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000
Revenue	7	**1,007,186**	567,553
Cost of sales		**(917,001)**	(518,623)
Gross profit		**90,185**	48,930
Other revenue and other gains and losses, net	8	**(6,475)**	(122)
Selling expenses		**(22,678)**	(12,179)
Administrative expenses		**(39,316)**	(25,519)
Reversal of impairment losses (impairment losses) on receivables, net		**3,020**	(1,584)
Finance costs	10	**(20,959)**	(7,915)
Profit before tax		**3,777**	1,611
Income tax expense	11	**(5,167)**	(616)
(Loss) profit for the period/year	12	**(1,390)**	995
(Loss) profit for the period/year attributable to:			
– Owners of the Company		**(21,545)**	(8,149)
– Non-controlling interests		**20,155**	9,144
		(1,390)	995
Loss per share	15	***HK cents***	*HK cents*
– Basic and diluted		**(1.29)**	(0.49)

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	Year ended 31 December 2020
	HK$'000	*HK$'000*
(Loss) profit for the period/year	**(1,390)**	995
Other comprehensive (expense) income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,863)**	3,207
Other comprehensive (expense) income, net of tax	**(1,863)**	3,207
Total comprehensive (expense) income for the period/year	**(3,253)**	4,202
Total comprehensive (expense) income for the period/year attributable to:		
– Owners of the Company	**(22,496)**	(6,513)
– Non-controlling interests	**19,243**	10,715
	(3,253)	4,202

Consolidated Statement of Financial Position

At 30 June 2022

	Note	30 June 2022 HK$'000	31 December 2020 HK$'000
Non-current assets			
Property, plant and equipment	16	**67,110**	61,093
Right-of-use assets	17	**30,066**	36,981
		97,176	98,074
Current assets			
Inventories	18	**60,349**	52,291
Trade and bills receivables	19	**48,486**	13,769
Deposits, prepayments and other receivables	20	**36,421**	18,728
Tax refundable		**–**	13
Bank balances and cash	21	**7,520**	5,446
		152,776	90,247
Current liabilities			
Trade payables	22	**44,393**	43,192
Accruals and other payables	23	**29,479**	25,058
Contract liabilities	24	**17,287**	3,260
Tax payable		**1,475**	–
Borrowings	25	**83,522**	73,762
Lease liabilities	26	**1,284**	3,589
Loans from the ultimate holding company	28	**825**	1,128
		178,265	149,989
Net current liabilities		**(25,489)**	(59,742)
Total assets less current liabilities		**71,687**	38,332
Non-current liabilities			
Lease liabilities	26	**–**	3,161
Convertible bonds	27	**65,650**	48,140
		65,650	51,301
NET ASSETS/(LIABILITIES)		**6,037**	(12,969)

Consolidated Statement of Financial Position

At 30 June 2022

	Note	30 June 2022 HK$'000	31 December 2020 HK$'000
Capital and reserves			
Share capital – ordinary shares	*29*	**42,019**	41,477
Share capital – convertible preference shares	*30*	**–**	542
Reserves	*31*	**(79,744)**	(79,507)
Capital deficiency attributable to owners of the Company		**(37,725)**	(37,488)
Non-controlling interests		**43,762**	24,519
TOTAL EQUITY/(DEFICIT)		**6,037**	(12,969)

The consolidated financial statements on pages 57 to 123 were approved and authorised for issue by the board of directors on 14 November 2022 and are signed on its behalf by:

Chan Cheuk Ho
Director

Hong Ting
Director

Consolidated Statement of Changes in Equity

For the eighteen months ended 30 June 2022

	Attributable to owners of the Company											
	Share capital	Convertible preference shares	Share premium	Other reserve	Convertible bonds reserve	Share option reserve	Statutory reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total (deficit)/ equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 31(c)(i))	*(Note 31(c)(ii))*	*(Note 31(c)(iii))*	*(Note 31(c)(iv))*	*(Note 31(c)(v))*	*(Note 31(c)(vi))*				
At 1 January 2020	41,477	542	209,982	6,906	–	63,092	1,548	960	(374,823)	(50,316)	13,804	(36,512)
(Loss) profit for the year	–	–	–	–	–	–	–	–	(8,149)	(8,149)	9,144	995
Other comprehensive expense for the year												
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	1,636	–	1,636	1,571	3,207
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	1,636	(8,149)	(6,513)	10,715	4,202
Profit appropriation to statutory reserves	–	–	–	–	–	–	3,328	–	(3,328)	–	–	–
Issuance of convertible bonds	–	–	–	–	19,341	–	–	–	–	19,341	–	19,341
At 31 December 2020	41,477	542	209,982	6,906	19,341	63,092	4,876	2,596	(386,300)	(37,488)	24,519	(12,969)
At 1 January 2021	**41,477**	**542**	**209,982**	**6,906**	**19,341**	**63,092**	**4,876**	**2,596**	**(386,300)**	**(37,488)**	**24,519**	**(12,969)**
(Loss) profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(21,545)**	**(21,545)**	**20,155**	**(1,390)**
Other comprehensive income for the period												
Exchange differences on translating foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(951)**	**-**	**(951)**	**(912)**	**(1,863)**
Total comprehensive (expense) income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(951)**	**(21,545)**	**(22,496)**	**19,243**	**(3,253)**
Issuance of convertible bonds	**-**	**-**	**-**	**-**	**9,979**	**-**	**-**	**-**	**-**	**9,979**	**-**	**9,979**
Effect on alteration of terms of convertible bonds	**-**	**-**	**-**	**-**	**1,989**	**-**	**-**	**-**	**10,291**	**12,280**	**-**	**12,280**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**(23,228)**	**-**	**-**	**23,228**	**-**	**-**	**-**
Transfer of conversion of convertible preference shares	**542**	**(542)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit appropriation to statutory reserves	**-**	**-**	**-**	**-**	**-**	**-**	**4,113**	**-**	**(4,113)**	**-**	**-**	**-**
At 30 June 2022	**42,019**	**-**	**209,982**	**6,906**	**31,309**	**39,864**	**8,989**	**1,645**	**(378,439)**	**(37,725)**	**43,762**	**6,037**

Consolidated Statement of Cash Flows

For the eighteen months ended 30 June 2022

	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**3,777**	1,611
Adjustments for:		
Allowance of inventories	**–**	3,488
Depreciation on property, plant and equipment	**9,668**	5,067
Depreciation on right-of-use assets	**6,530**	1,308
Finance costs	**20,959**	7,915
(Gain) loss on disposal of property, plant and equipment	**(39)**	36
(Reversal of impairment losses) impairment losses on receivables, net	**(3,020)**	1,584
Interest income	**(35)**	(26)
Loss on issuance of convertible bonds	**1,344**	–
Loss on modification of convertible bonds	**7,018**	–
Operating profit before working capital changes	**46,202**	20,983
Change in trade and bills receivables	**(35,721)**	16,913
Change in deposits, prepayments and other receivables	**(13,668)**	2,014
Change in inventories	**(8,058)**	(16,934)
Change in contract liabilities	**14,027**	(1,862)
Change in other payable and accruals	**4,928**	11,108
Change in trade payables	**1,202**	(31,630)
Cash generated from operations	**8,912**	592
Interest paid	**(128)**	(388)
Income tax paid	**(4,005)**	(617)
Net cash generated from (used in) operating activities	**4,779**	(413)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**35**	26
Proceeds from disposal of property, plant and equipment	**101**	–
Purchase of property, plant and equipment	**(16,788)**	(12,549)
Net cash used in investing activities	**(16,652)**	(12,523)

	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	**75,364**	68,161
Increase in loans from the ultimate holding company	**5,619**	2,448
Interest paid	**(4,424)**	(5,153)
Repayment of borrowings	**(63,909)**	(53,922)
Net cash generated from financing activities	**12,650**	11,534
Net increase/(decrease) in cash and cash equivalents	**777**	(1,402)
Effect of foreign exchange rate changes	**1,297**	1,439
Cash and cash equivalents at beginning of year	**5,446**	5,409
Cash and cash equivalents at end of year	**7,520**	5,446
Analysis of cash and cash equivalents		
Bank and cash balances	**7,520**	5,446

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2022

1. GENERAL INFORMATION

Wai Chun Bio-Technology Limited (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 "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36(b) to the consolidated financial statements.

In the opinion of the directors of the Company (the "Director"), as at 30 June 2022, Chinese Success Limited, a company incorporated in the British Virgin Islands, is the immediate holding company; 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, who resigned as the chairman of the board of directors, chief executive officer and an executive director of the Company on 18 July 2022.

Pursuant to a resolution of the board of directors 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 for the following reasons:

(i) the Group will be able to rationalise and more efficiently use its resources for the preparation of annual results announcement and report as a better arrangement can be achieved with its auditors and other professional parties by removing the annual audit workflow resulting from the variation in the dates of the Chinese New Year holidays and avoiding the peak season of annual reporting in the first quarter of each year; and

(ii) the financial year from 1 July to 30 June will better coincide with the seasonal operating cycle of certain principal activities of the Group, thereby providing a more meaningful basis for shareholders and investors to understand and evaluate the Group's financial results.

The current financial statements cover a eighteen months period ended 30 June 2022 and the comparative financial statements cover a twelve months year ended 31 December 2020. The comparative amounts are therefore not entirely comparable.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$21,545,000 for the eighteen months ended 30 June 2022 and as at 30 June 2022, the Group had net current liabilities of approximately HK$25,489,000. 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 consolidated financial statements based on going concern on the assumptions and measures that:

(a) As at 30 June 2022, the Company has drawn down loan of approximately HK$825,000 and undrawn loan facilities of approximately HK$69,175,000 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$6,081,000 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 twelve-month period from the date of this annual report after taking into account the impact of above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable 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 these consolidated financial statements.

2. GOING CONCERN BASIS (continued)

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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); 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 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 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. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's presentation currency and functional currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Buildings comprise factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives or annual rate on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the shorter of the term of the lease, or 15–20 years
Leasehold improvements	Over the shorter of the term of the lease, or 20%–33.33%
Furniture and fixtures	20%–33.33%
Plant, machinery and equipment	6.6%–33.33%
Motor vehicles	10%–20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	2%
Land and buildings	33.33%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee *(continued)*

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below HK$40,000.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss allowances for expected credit losses (continued)

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible bonds and the fair values assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible bonds (continued)

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible bonds issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible preference shares

Convertible preference shares are classified as equity if it is non-redeemable and any dividends are discretionary. Dividends on convertible preference shares classified as equity are recognised as distributions within the equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

Equity-settled share-based payment transactions

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grant

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements apart from these involving estimations which are dealt with below.

Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

(d) Net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(e) Deferred tax assets

At 30 June 2022, no deferred tax asset has been recognised on the tax losses of approximately HK$128,944,000 (2020: approximately HK$137,491,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the estimated future assessable profits or taxable temporary differences are more than those previously estimated, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which the revised estimate takes place.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities (Hong Kong dollars and Renminbi). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the bank balances and trade and other receivables, included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk. The percentage of trade and bills receivables due from the Group's three largest customers in aggregate to the Group's total trade and bills receivables net of expected credit losses is 57% (2020: 32%) as at 30 June 2022. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 100% (2020: approximately 100% in the PRC) of the trade and bills receivables as at 30 June 2022. They have good historical repayment records and no default in payment.

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 365 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

	Weighted average effective interest rate	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
30 June 2022						
Trade payables		44,393	–	–	44,393	44,393
Accruals and other payables		26,306	–	–	26,306	26,306
Borrowings	4.29%	87,179	–	–	87,179	83,522
Convertible bonds	20.70%	1,784	66,645	21,234	89,663	65,650
Loans from the ultimate holding company	6.25%	825	–	–	825	825
		160,487	66,645	21,234	248,366	220,696

	Weightd average effective interest rate	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
31 December 2020						
Trade payables		43,192	–	–	43,192	43,192
Accruals and other payables		23,534	–	–	23,534	23,534
Borrowings	4.93%	77,399	–	–	77,399	73,762
Convertible bonds	17.44%	2,680	2,680	69,432	74,792	48,140
Loans from the ultimate holding company	6.25%	1,199	–	–	1,199	1,128
		148,004	2,680	69,432	220,116	189,756

6. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

The Group's exposure to fair value interest rate risk arises from loans from the ultimate holding company. The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposure to cash flow interest rate risk arises from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 30 June 2022, if interest rates had been 100 basis points lower, with all other variables held constant, consolidated loss after tax for the year would have been HK$552,000 (2020: HK$538,000 lower) lower, arising mainly as a result of lower interest expense on variable rate borrowings.

At 30 June 2022, if interest rates had been 100 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK$552,000 (2020: HK$538,000 higher) higher, arising mainly as a result of higher interest expense on variable rate borrowings.

(e) Categories of financial instruments

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	HK$'000	*HK$'000*
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**58,979**	20,221
Financial liabilities:		
Financial liabilities at amortised cost	**220,696**	189,756

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities at amortised cost as reflected in the consolidated statement of financial position approximate their respective fair values.

7. 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	**1,007,186**	567,553

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.

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

Manufacturing and sale of modified starch and other biochemical products

The Group manufactures and sells modified starch and other biochemical products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms ranged from 30 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability. The Group would also allow longer credit period for certain customers with long term relationship.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

8. OTHER REVENUE AND OTHER GAINS AND LOSSES, NET

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	HK$'000	*HK$'000*
Bank interest income	**35**	26
Gain (loss) on disposal of property, plant and equipment	**39**	(36)
Government subsidies *(Note)*	**2,036**	185
Loss on issuance of convertible bonds	**(1,344)**	–
Loss on modification of convertible bonds	**(7,018)**	–
Others	**(223)**	(297)
Total	**(6,475)**	(122)

Note: For the eighteen months ended 30 June 2022, a subsidiary of the Group was grant the Ecological Compensation Fund which set up by Shandong Province Government.

For the year ended 31 December 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

9. SEGMENT INFORMATION

The Group has one reportable segment as follows:

Modified starch and other biochemical products – Manufacturing and sale of modified starch and other biochemical products

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include other income and other gains and losses, net, central administration costs, finance costs and income tax expenses. Segment assets do not include other assets for central administration purpose. Segment liabilities do not include convertible bonds and other liabilities for central administration purpose.

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

9. SEGMENT INFORMATION (continued)

Information and reconciliation of reportable segment revenue, profit or loss, assets and liabilities

Eighteen months ended 30 June 2022

	Modified starch and other biochemical products *HK$'000*	Total *HK$'000*
Revenue from external customers	1,007,186	1,007,186
Segment profit	49,280	49,280
Other revenue and other gains and losses, net		(6,475)
Central administration costs		(18,069)
Finance costs		(20,959)
Profit before tax		3,777
Income tax expense		(5,167)
Consolidated loss for the period		(1,390)
At 30 June 2022		
Assets		
Segment assets	247,881	247,811
Unallocated assets		2,071
Consolidated total assets		249,952
Liabilities		
Segment liabilities	(159,747)	(159,747)
Unallocated liabilities		(84,168)
Consolidated total liabilities		(243,915)

9. SEGMENT INFORMATION (continued)

Information and reconciliation of reportable segment revenue, profit or loss, assets and liabilities (continued)

Year ended 31 December 2020

	Modified starch and other biochemical products *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)
Consolidated profit for the year		995
At 31 December 2020		
Assets		
Segment assets	180,339	180,339
Unallocated assets		7,982
Consolidated total assets		188,321
Liabilities		
Segment liabilities	(130,300)	(130,300)
Unallocated liabilities		(70,990)
Consolidated total liabilities		(201,290)

9. SEGMENT INFORMATION (continued)

Information and reconciliation of reportable segment revenue, profit or loss, assets and liabilities (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

– assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual segments; and

– liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

Eighteen months ended 30 June 2022

	Modified starch and other biochemical products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to property, plant and equipment	16,785	3	16,788
Depreciation on property, plant and equipment	9,531	137	9,668
Depreciation on right-of-use assets	1,035	5,495	6,530
Reversal of impairment losses on receivables, net	(3,020)	–	(3,020)

9. SEGMENT INFORMATION (continued)

Other segment information (continued)

Year ended 31 December 2020

	Modified starch and other biochemical products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to property, plant and equipment	12,522	27	12,549
Additions to right-of-use assets	–	7,401	7,401
Depreciation on property, plant and equipment	4,930	137	5,067
Depreciation on right-of-use assets	697	611	1,308
Loss on disposal of property, plant and equipment	36	–	36
Impairment loss of receivables, net of reversal	1,584	–	1,584

9. SEGMENT INFORMATION (continued)

Geographical information

For the eighteen months ended 30 June 2022 and year ended 31 December 2020, the Group's operations were principally located in the PRC with revenue and profits from its operations.

The following is an analysis of the Group's revenue from external customers and non-current assets by geographical locations:

	Revenue from external customers		Non-current assets	
	1 January 2021 to 30 June 2022	Year ended 31 December 2020	**30 June 2022**	31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**1,315**	6,944
PRC	**1,007,186**	567,553	**95,861**	91,130
	1,007,186	567,553	**97,176**	98,074

In presenting the geographic information, revenue is based on the locations of the customers.

Major customers

Revenue from modified starch and other biochemical products segment of the corresponding years contributing over 10% of the total annual revenue of the Group are as follows:

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	HK$'000	*HK$'000*
Customer A	**156,419**	87,118
Customer B *(Note b)*	**N/A**	63,848
Customer C *(Note b)*	**N/A**	86,406

Notes:

(a) No other single customer contribute 10% or more to the Group's annual revenue.

(b) These customers contributed less than 10% to the Group's annual revenue for the eighteen months ended 30 June 2022, therefore the amounts are not disclosed.

10. FINANCE COSTS

	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000
Interest on bank loans	4,645	2,692
Interest on loans from the ultimate holding company	238	1,572
Interest on loan from the controlling shareholder	1,129	785
Interest on loans from independent third parties	388	1,676
Interest on bills payables	128	388
Interest on convertible bonds	14,047	729
Interest on lease liabilities	384	73
Total	20,959	7,915

11. 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	3,797	616
Under-provision in prior year	1,370	–
	5,167	616

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

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived from Hong Kong for the eighteen months ended 30 June 2022 and year ended 31 December 2020.

11. INCOME TAX EXPENSE (continued)

PRC subsidiaries are subject to PRC Enterprise Income Tax ("EIT") at 25% for the eighteen months ended 30 June 2022 and year ended 31 December 2020, expect for the following subsidiary of the Company which were taxed at the local applicable income tax rate.

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

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	HK$'000	*HK$'000*
Profit before tax	**3,777**	1,611
Tax at the income tax rate of 16.5% (2020: 16.5%)	**623**	266
Tax effect of income that is not taxable	**(415)**	(31)
Tax effect of expenses that are not deductible	**8,200**	3,062
Utilisation of unrecognised tax losses	**(1,440)**	(2,099)
Effect of different tax rates of subsidiaries	**1,520**	888
Effect of tax exemption granted to a PRC subsidiary	**(4,691)**	(1,470)
Under-provision in prior year	**1,370**	–
Income tax expense	**5,167**	616

As at 30 June 2022, the Group has unused tax losses of approximately HK$128,944,000 (2020: approximately HK$137,491,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams of the Group.

There was no unrecognised deferred tax liabilities, relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries in the eighteen months ended 30 June 2022 and year ended 31 December 2020, as the Directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total unused tax losses of these PRC subsidiaries as at 30 June 2022 amounted to approximately HK$Nil (2020: approximately HK$8,504,000), which was included in Group's unused tax losses that are available within a maximum period of five years in the PRC.

12. (LOSS) PROFIT FOR THE PERIOD/YEAR

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

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	HK$'000	*HK$'000*
Auditor's remuneration	**470**	450
Cost of inventories sold	**917,001**	515,135
(Reversal of impairment losses) impairment losses on receivables, net	**(3,020)**	1,584
Allowances for inventories	**–**	3,488
Depreciation on property, plant and equipment	**9,668**	5,067
Depreciation on right-of-use assets	**6,530**	1,308
(Gain) loss on disposal of property, plant and equipment	**(39)**	36
Staff costs (including directors' emoluments)		
Salaries, bonus and allowances	**26,495**	13,888
Retirement benefits scheme contributions *(Note)*	**3,492**	849
	29,987	14,737

Note: There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

For the eighteen months ended 30 June 2022	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive Director				
Lam Ching Kui *(Chief Executive Officer) (i)*	–	4,170	27	4,197
Independent Non-Executive Directors				
Hau Pak Man *(ii)*	180	–	–	180
Wan Bo *(iii)*	180	–	–	180
Chan Cheuk Ho *(iv)*	180	–	–	180
Total for eighteen months ended 30 June 2022	540	4,170	27	4,737

For the year ended 31 December 2020	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive Director				
Lam Ching Kui *(Chief Executive Officer) (i)*	–	2,491	9	2,500
Independent Non-Executive Directors				
Hau Pak Man *(ii)*	120	–	–	120
Wan Bo *(iii)*	20	–	–	20
Chan Cheuk Ho *(iv)*	20	–	–	20
Li Jinyuan *(v)*	–	–	–	–
Chan Chun Wai, Tony *(vi)*	100	–	–	100
Total for 2020	260	2,491	9	2,760

Notes:

(i) Resigned on 18 July 2022.

(ii) Resigned on 10 October 2022.

(iii) Appointed on 3 November 2020.

(iv) Appointed on 6 November 2020 as independent non-executive director, redesignated from independent non-executive director to executive director on 18 July 2022.

(v) Appointed on 10 January 2020 and resigned on 14 September 2020.

(vi) Resigned on 6 November 2020.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

During the year ended 31 December 2020, Li Jinyuan, an independent non-executive director of the Company, as agreed to waive his emoluments of HK$80,000. Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year ended 31 December 2020.

The five highest paid individuals in the Group during the period included one (2020: one) director, details of whose remuneration are reflected in the analysis presented above. The emoluments of the remaining four (2020: four) individual are set out below:

	1 January 2021 to 30 June 2022 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Salaries and allowances	**3,818**	1,738
Retirement benefit scheme contributions	**167**	57
Total	**3,985**	1,795

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	1 January 2021 to 30 June 2022 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**2**	–

During the period, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

The directors of the Company did not to recommend the payment of any dividend for the eighteen months ended 30 June 2022 and year ended 31 December 2020.

15. LOSS PER SHARE

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$21,545,000 (2020: approximately HK$8,149,000) and the weighted average number of ordinary shares of 1,676,194,867 (2020: 1,659,068,537) in issue during the period.

Diluted loss per share

As the exercise of the Group's outstanding convertible bonds for the eighteen months ended 30 June 2022 would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding share options and convertible preference shares in the eighteen months ended 30 June 2022 and year ended 31 December 2020, accordingly, the diluted loss per share is same as the basic loss per share in the eighteen months ended 30 June 2022 and year ended 31 December 2020.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements, furniture and fixtures	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2020	25,207	2,885	39,539	1,003	9,288	77,922
Additions	54	–	592	–	11,903	12,549
Disposals	–	–	(737)	–	–	(737)
Transfer	–	–	16,367	–	(16,367)	–
Exchange differences	1,694	–	2,440	26	372	4,532
At 31 December 2020 and 1 January 2021	26,955	2,885	58,201	1,029	5,196	94,266
Additions	75	–	4,568	536	11,609	16,788
Disposals	–	–	(576)	(62)	–	(638)
Transfer	–	–	7,446	–	(7,446)	–
Exchange differences	(372)	–	(1,183)	(19)	(186)	(1,760)
At 30 June 2022	26,658	2,885	68,456	1,484	9,173	108,656
Accumulated depreciation and impairment						
At 1 January 2020	7,165	2,885	17,487	454	–	27,991
Charge for the year	1,352	–	3,544	171	–	5,067
Disposals	–	–	(701)	–	–	(701)
Exchange differences	549	–	259	8	–	816
At 31 December 2020 and 1 January 2021	9,066	2,885	20,589	633	–	33,173
Charge for the period	1,978	–	7,151	539	–	9,668
Disposals	–	–	(516)	(60)	–	(576)
Exchange differences	(181)	–	(526)	(12)	–	(719)
At 30 June 2022	10,863	2,885	26,698	1,100	–	41,546
Carrying amount						
At 30 June 2022	15,795	–	41,758	384	9,173	67,110
At 31 December 2020	17,889	–	37,612	396	5,196	61,093

Construction in progress represents plant, machinery and equipment under construction and pending for installation in the PRC.

17. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	30 June 2022 HK$'000	31 December 2020 HK$'000
At 30 June/31 December:		
Right-of-use assets		
– Land use rights	**28,771**	30,190
– Land and buildings	**1,295**	6,791
	30,066	36,981

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

	30 June 2022 HK$'000	31 December 2020 HK$'000
– Less than 1 year	**1,300**	3,900
– Between 1 and 2 years	**–**	3,250
	1,300	7,150
Depreciation charge of right-of-use assets		
– Land use rights	**1,035**	697
– Land and buildings	**5,495**	611
	6,530	1,308
Lease interests	**384**	73
Expenses related to short-term leases	**–**	3,700
Total cash outflow for leases	**–**	–
Addition to the right-of-use asset	**–**	7,401

17. RIGHT-OF-USE ASSETS (continued)

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

Certain leasehold lands in the PRC recorded in right-of-use assets with carrying amount of approximately HK$22,218,000 (2020: HK$17,804,000) have been pledged to secure the bank loans and general banking facilities granted to the Group.

18. INVENTORIES

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Raw materials	**7,640**	16,299
Finished goods	**52,709**	35,924
Other consumables	**–**	68
Total	**60,349**	52,291

19. TRADE AND BILLS RECEIVABLES

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Trade receivables	**53,371**	16,796
Bills receivable	**–**	882
	53,371	17,678
Less: Provision for loss allowance	**(4,885)**	(3,909)
Carrying amount	**48,486**	13,769

19. TRADE AND BILLS RECEIVABLES (continued)

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 allowance, is as follows:

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
0–30 days	**23,250**	11,083
31–60 days	**9,295**	1,167
61–90 days	**8,198**	1,150
91–180 days	**7,714**	369
Over 180 days	**29**	–
Total	**48,486**	13,769

As at 30 June 2022, the trade and bills receivables of approximately HK$48,457,000 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. As at 30 June 2022, there were trade receivables of approximately HK$11,713,000 (31 December 2020: nil) pledged to secure certain bank borrowings.

Reconciliation of loss allowance for trade and bills receivables:

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
At 1 January	**3,909**	6,976
Increase in loss allowance for the period/year	**1,004**	1,187
Reversal of allowance	**(28)**	(4,254)
At 30 June/31 December	**4,885**	3,909

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2022 HK$'000	31 December 2020 HK$'000
Prepayments for acquiring inventories	**33,353**	17,627
Other prepayments	**95**	95
Other receivables	**2,223**	268
Rental and other deposits	**750**	738
Total	**36,421**	18,728

21. BANK BALANCE AND CASH

As at 30 June 2022, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$7,319,000 (2020: HK$5,245,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

22. TRADE PAYABLES

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

	30 June 2022 HK$'000	31 December 2020 HK$'000
0–30 days	**17,966**	17,909
31–60 days	**21,535**	15,705
61–90 days	**2,073**	7,951
91–180 days	**459**	413
Over 180 days	**2,360**	1,214
Total	**44,393**	43,192

23. ACCRUALS AND OTHER PAYABLES

	30 June 2022 HK$'000	31 December 2020 HK$'000
Payroll and welfare payables	**133**	1,479
Accrued operating expenses	**9,432**	11,550
Other tax payables	**3,173**	1,524
Others	**16,741**	10,505
Total	**29,479**	25,058

24. CONTRACT LIABILITIES

	As at 30 June 2022 HK$'000	As at 31 December 2020 HK$'000	As at 1 January 2020 HK$'000
Contract liabilities – advance from customers	**17,287**	3,260	5,122

Transaction prices allocated to performance obligations unsatisfied at end of period/year and expected to be recognised as revenue in:

	30 June 2022 HK$'000	31 December 2020 HK$'000
Period/year ended 30 June/31 December		
– 2021	**–**	3,260
– 2022	**17,287**	–
	17,287	3,260
Revenue recognised in the period/year that was included in contract liabilities at beginning of period/year	**3,260**	5,122

A contract liability represents the Group's obligation to transfer products to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

25. BORROWINGS

	30 June 2022	31 December 2020
	HK$'000	*HK$'000*
Bank loans *(a)*	**73,208**	62,945
Loan from the controlling shareholder *(b)*	**6,081**	6,732
Loans from independent third parties *(b)*	**4,233**	4,085
Total	**83,522**	73,762

Notes:

(a) The bank loans of approximately HK$61,495,000 are secured by certain leasehold lands in the PRC recorded in right-of-use assets with carrying amount of approximately HK$22,218,000 (2020: HK$17,804,000). The bank loans of approximately HK$11,713,000 are secured by the trade receivables of approximately HK$11,713,000. They are arranged at floating rates and exposed the Group to cash flow interest rate risk and interest bearing with average interest rate ranged from 4.35% to 4.79% (2020: 4.35% to 4.79%) per annum. All bank loans are repayable within period and denominated in RMB.

(b) The loans are unsecured, arranged at floating rates and exposed the Group to cash flow interest rate risk and interest bearing at 1% above Hong Kong Prime Rate per annum, repayable on demand and denominated in HKD.

26. LEASE LIABILITIES

	Minimum lease payments		**Present value of minimum lease payments**	
	30 June 2022	31 December 2020	**30 June 2022**	31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,300**	3,900	**1,284**	3,589
In the second to fifth years, inclusive	**–**	3,250	**–**	3,161
	1,300	7,150	**1,284**	6,750
Less: Future finance charges	**(16)**	(400)	**–**	–
Present value of lease liabilities	**1,284**	6,750	**1,284**	6,750
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,284)**	(3,589)
Amount due for settlement after 12 months			**–**	3,161

At 30 June 2022, the average borrowing rate was 6.25%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

27. CONVERTIBLE BONDS

Convertible bond of HK$67,000,000 (the "CB1")

On 27 November 2020 ("Issue Date of CB1"), the Company issued an unlisted, unguaranteed and unsecured convertible bond (the "CB1") with principal amount of HK$67,000,000, to an independent third party.

The CB1 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK$0.025 each of the Company on or after 27 November 2020 up to and including 26 November 2023 at an initial conversion price of HK$0.12 per share subject to adjustments upon occurrence of certain events. The maximum number of ordinary shares of the Company can be converted is 558,333,333 shares per principal amount of the CB of HK$67,000,000, which also subject to adjustments upon occurrence of certain events.

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

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

The Company shall be entitled at its sole discretion, by giving not less than fourteen days' notice to the bondholder, propose to the bondholder to redeem the outstanding CB (in multiples of HK$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB at any time after the Issue Date of CB1 up to and including the date falling fourteen days immediately before the Maturity Date of CB1.

On 22 October 2021, the Company and CB1 bondholders have agreed to amend the CB1 terms as follows, which took effect on 17 January 2022 ("CB1 Amendments"):

(i) the conversion price be reduced from HK$0.12 per conversion share to HK$0.05 per conversion share;

(ii) the coupon rate be reduced from 4% per annum to 2% annum;

(iii) the CB1 be redeemed at 98% of its principal amount at maturity; and

(iv) the conversion rights attached to the CB1 be only exercised on the condition that any conversion of the CB1 does not: (aa) trigger a mandatory general offer obligation on the CB1 bondholders under Rule 26 of the Takeovers Code; and (bb) result in Mr. Lam and any parties acting in concert with him ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.

27. CONVERTIBLE BONDS (continued)

Convertible bond of HK$67,000,000 (the "CB1") (continued)

The net proceeds received from the issue of the CB have been split between the liability element and equity component, as follows:

	Liabilities component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
Issuance on 27 November 2020	47,659	19,341	67,000
Imputed interest expenses	729	–	729
Coupon payable	(247)	–	(247)
At 31 December 2020 and 1 January 2021	48,141	19,341	67,482
Effect of modification of CB1 terms	(5,262)	1,989	(3,273)
Imputed interest expenses	12,862	–	12,862
Coupon payable	(3,448)	–	(3,448)
At 30 June 2022	52,293	21,330	73,623

The interest charged for the period is calculated by applying an effective interest rate of 20.25% (2020: 17.44%) to the liability component for the period since CB1 Amendments (2021: since the CB1 was issued).

A revaluation was conducted with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited under level 2 fair value measurement on CB1 Amendments.

Convertible bond of HK$21,000,000 (the "CB2")

On 18 January 2022 ("Issue Date of CB2"), the Company issued an unlisted, unguaranteed and unsecured convertible bond (the "CB2") with principal amount of HK$21,000,000, to the intermediate holding company of the Company.

The CB2 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK$0.054 each of the Company on or after 18 January 2022 up to and including 17 January 2025 at an initial conversion price of HK$0.05 per share subject to adjustments upon occurrence of certain events. The maximum number of ordinary shares of the Company can be converted is 420,000,000 shares per principal amount of the CB of HK$21,000,000, which also subject to adjustments upon occurrence of certain events.

27. CONVERTIBLE BONDS (continued)

Convertible bond of HK$21,000,000 (the "CB2") (continued)

Should the CB2 has not been converted, it will be redeemed at par on 18 January 2025 ("Maturity Date of CB2").

The CB2 has coupon rate of 2% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

The Company shall be entitled at its sole discretion, by giving not less than fourteen days' notice to the bondholder, propose to the bondholder to redeem the outstanding CB2 (in multiples of HK$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB2 at any time after the Issue Date of CB2 up to and including the date falling fourteen days immediately before the Maturity Date of CB2.

The net proceeds received from the issue of the CB have been split between the liability element and equity component, as follows:

	Liabilities component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
Issuance on 18 January 2022	11,021	9,979	21,000
Imputed interest expenses	1,185	–	1,185
Coupon payable	(193)	–	(193)
Loss on issuance of CB2	1,344	–	1,344
At 30 June 2022	13,357	9,979	23,336

The interest charged for the period is calculated by applying an effective interest rate of 22.48% to the liability component for the 36 month period since the CB2 was issued.

A revaluation was conducted with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited under level 2 fair value measurement on issuance of CB2.

The consideration of CB2 is settled by debt assignments of which a director, and a director's related parties assigned their debts owed by the Group to Chinese Success Limited, which is the immediate holding company of the Company.

28. LOANS FROM THE ULTIMATE HOLDING COMPANY

The loans are unsecured, bearing interest at 6.25% and repayable on demand as at the eighteen months ended 30 June 2022 and 31 December 2020.

29. SHARE CAPITAL – ORDINARY SHARES

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

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.

29. SHARE CAPITAL – ORDINARY SHARES (continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-total assets ratio. This ratio is calculated as net debt divided by total assets. Net debt is calculated as total debt less cash and cash equivalents.

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Total debt	**151,281**	129,780
Less: Cash and cash equivalents	**(7,520)**	(5,446)
Net debt	**143,761**	124,334
Total assets	**249,952**	188,321
Net debt to total assets	**58%**	66%

30. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

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

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 convertible preference shareholder is entitled to receive dividend pari passu with ordinary shareholders on an as converted basis.

(b) As mentioned in note 29(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.

31. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Other reserve HK$'000	Convertible bonds reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	209,982	62,934	–	63,092	(430,831)	(94,823)
Total comprehensive expense for the year	–	–	–	–	(10,929)	(10,929)
Issuance of convertible bonds	–	–	19,341	–	–	19,341
At 31 December 2020 and 1 January 2021	**209,982**	**62,934**	**19,341**	**63,092**	**(441,760)**	**(86,411)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(38,325)**	**(38,325)**
Issuance of convertible bonds	**–**	**–**	**9,979**	**–**	**–**	**9,979**
Effect on alteration of terms of convertible bonds	**–**	**–**	**1,989**	**–**	**10,291**	**12,280**
At 30 June 2022	**209,982**	**62,934**	**31,309**	**63,092**	**(469,794)**	**(102,477)**

31. RESERVES (continued)

(c) Nature and purposes of reserve

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Other reserve

Other reserve represents the share of a subsidiary's share premium arising from the allotment and issue of shares, and deemed contribution from owners of the Company.

(iii) Convertible bonds reserve

The amount represents the amount of proceeds on issue of convertible bonds relating to the equity component (i.e. option to convert the debt into share capital).

(iv) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 4 to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

(v) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(vi) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	30 June 2022 HK$'000	31 December 2020 HK$'000
Non-current assets		
Interests in subsidiaries	**368**	368
Right-of-use assets	**1,295**	6,791
	1,663	7,159
Current assets		
Inventories	**–**	68
Deposits, prepayments and other receivables	**767**	757
Due from subsidiaries	**20,987**	16,268
Bank balances and cash	**8**	125
	21,762	17,218
Current liabilities		
Accruals and other payables	**6,330**	3,422
Borrowings	**9,794**	9,329
Lease liabilities	**1,284**	3,589
Loans from the ultimate holding company	**825**	1,128
	18,233	17,468
Net current asset/(liabilities)	**3,529**	(250)
Total assets less current liabilities	**5,192**	6,909

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	30 June 2022 HK$'000	31 December 2020 HK$'000
Non-current liabilities		
Lease liabilities	–	3,161
Convertible bonds	65,650	48,140
	65,650	51,301
NET LIABILITIES	(60,458)	(44,392)
Capital and reserves		
Share capital – ordinary shares	42,019	41,477
Share capital – convertible preference shares	–	542
Reserves	(102,477)	(86,411)
CAPITAL DEFICIENCY	(60,458)	(44,392)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 14 November 2022 and is signed on its behalf by:

Chan Cheuk Ho	**Hong Ting**
Director	*Director*

33. SHARE-BASED PAYMENTS

Share Option Scheme

Pursuant to a share option scheme adopted by the shareholders of the Company on 22 July 2015 (the "Share Option Scheme"), the Company may, at their discretion, invite executive or non-executive director, employee (whether full-time or part-time), chief executive, substantial shareholder, consultant, professional and other adviser to take up options.

The subscription price of the Share Option Scheme will be determined at the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date. Besides, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group in issue shall not exceed 30% of the relevant class of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue.

Options granted under the Share Option Scheme must be taken up within 30 days of the grant upon payment of HK$1.00 per grant.

33. SHARE-BASED PAYMENTS (continued)

Share Option Scheme (continued)

Movements of the Company's share options held by consultants and an employee during the eighteen months ended 30 June 2022 is set out below:

Category of participants	As at 1 January 2021	Granted	Exercised	Expired	As at 30 June 2022	Date of grant	Exercise period	Exercise price HK$
Consultants	53,693,261	–	–	(53,693,261)	–	12 January 2016	12 January 2016 to 11 January 2021	0.686
Employee	16,270,685	–	–	(16,270,685)	–	12 January 2016	12 January 2016 to 11 January 2021	0.686
Consultants	73,312,222	–	–	–	73,312,222	16 July 2018	16 July 2018 to 15 July 2023	0.720
Employee	16,270,685	–	–	–	16,270,685	16 July 2018	16 July 2018 to 15 July 2023	0.720
Exercisable at end of year/period	159,546,853	–	–	(69,963,946)	89,582,907			

On 12 January 2016, the Company granted a total of 69,963,946 share options under the Share Option Scheme to consultants and an employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 12 January 2016 to 11 January 2021. The options will entitle the grantees to subscribe for a total of 69,963,946 new shares of HK$0.025 each at an exercise price of HK$0.686 per share.

On 16 July 2018 the Company granted a total of 89,582,907 share options under the Share Option Scheme to consultants and an employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 16 July 2018 to 15 July 2023. The options will entitle the grantees to subscribe for a total of 89,582,907 new shares of HK$0.025 each at an exercise price of HK$0.720 per share.

33. SHARE-BASED PAYMENTS (continued)

Share Option Scheme (continued)

The fair value of the share options determined at the date of grant was calculated by independent valuer using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Grant date	**12 January 2016**	**16 July 2018**
Exercise price *(HK$)*	0.686	0.720
Share price at the date of grant *(HK$)*	0.660	0.720
Dividend yield *(%)*	–	–
Expected volatility *(%)*	93.245	90.196
Risk-free interest rate *(%)*	0.941	2.094
Expected life of options *(years)*	5	5

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the eighteen months ended 30 June 2022, the amount of payable to Mr. Lam is approximately HK$14,192,000, which included the amount of Mr. Lam paid on behalf of the Group for the rent of approximately HK$5,850,000, salaries to payable to independent non-executive directors and other employees of approximately HK$3,339,000, and also included the salaries payable to Mr. Lam of approximately HK$4,125,000, and the interest payable to Mr. Lam of approximately HK$878,000.

During the eighteen months ended 30 June 2022, payables to Mr. Lam of HK$14,840,000, and loans from ultimate holding company of HK$6,160,000 respectively were assigned to the immediate holding company by crediting the same to the loan from the immediate holding company, according to a deed of assignment entered between the Company, the ultimate holding company, Mr. Lam and the immediate holding company.

During the eighteen months ended 30 June 2022, loan from the Bondholder of HK$21,000,000 was offset with the same amount of the consideration from the principal amount of the convertible bonds issued by the Company to the Bondholder by crediting the same to the liability component and equity component of convertible bonds, according to an offset confirmation letter entered between the Company and the Bondholder.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the period/year:

	Loans from the ultimate holding company HK$'000	Borrowings HK$'000	Total HK$'000
At 1 January 2020	43,608	55,659	99,267
Change in cash flow	2,448	14,239	16,687
Non-cash transactions	(46,500)	–	(46,500)
Finance costs	1,572	5,153	6,725
Interest paid	–	(5,153)	(5,153)
Exchange differences	–	3,864	3,864
At 31 December 2020 and 1 January 2021	**1,128**	**73,762**	**74,890**
Change in cash flow	**5,619**	**11,455**	**17,074**
Non-cash transactions			
– Debt assignment	**(6,160)**	**(14,840)**	**(21,000)**
– Settle on behalf of the Group by Mr. Lam	**–**	**14,192**	**14,192**
Finance costs	**238**	**4,424**	**4,662**
Interest paid	**–**	**(4,424)**	**(4,424)**
Exchange differences	**–**	**(1,047)**	**(1,047)**
At 30 June 2022	**825**	**83,522**	**84,347**

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

	1 January 2021 to 30 June 2022 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Acquisition of right-of-use assets of land and buildings from a related company*	**–**	7,401
Interest expenses to the ultimate holding company	**238**	1,572
Rental expenses on short-term lease to a related company*	**–**	3,700
Salaries to the spouse of a director who has control over the Group	**1,463**	585
Salaries to a son of a director who has control over the Group	**788**	410

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

(b) Related party balances

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

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Loan facilities granted by the ultimate holding company to the Group	**70,000**	70,000

(c) Key management personnel compensation

Details of the remuneration of directors and other members of key management during the period are set out in note 13.

36. INTERESTS IN SUBSIDIARIES

(a) The amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) Particulars of principal subsidiaries of the Company are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest and voting power		Principal activities
			30 June 2022	31 December 2020	
Wai Chun Industrial (HK) Limited	Hong Kong	1,000 ordinary of HK$1 each	**100% (Indirect)**	100% (Indirect)	Investment holding
Great Luck Limited *(Note (ii))*	Macau	Registered capital MOP25,000	**0% (Indirect)**	100% (Indirect)	General trading
Weifang Century-Light Biology Science Co., Ltd. ("Weifang Century-Light")	The PRC	Registered capital USD2,929,000	**51% (Indirect)**	51% (Indirect)	Manufacturing of modified starch and other biochemical products
Weifang Jia You You Zhi Co., Ltd.	The PRC	Registered capital RMB10,000,000	**51% (Indirect)**	51% (Indirect)	Manufacturing of modified starch and other biochemical products

Notes:

(i) The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

(ii) Great Luck Limited was subsequently deregistered on 23 February 2021.

36. INTERESTS IN SUBSIDIARIES (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Weifang Century-Light and its subsidiary	
	30 June 2022	31 December 2020
Principal place of business/country of incorporation	**The PRC/ The PRC**	The PRC/ The PRC
% of ownership interests/voting rights held by NCI	**49%/49%**	49%/49%
	HK$'000	*HK$'000*
Non-current assets	**95,861**	91,129
Current assets	**161,194**	89,210
Current liabilities	**(167,745)**	(130,300)
Net assets	**89,310**	50,039
Accumulated NCI	**43,762**	24,519
	1 January 2021 to 30 June 2022	Year ended 31 December 2020
Revenue	**1,007,186**	567,553
Profit	**41,134**	18,662
Total comprehensive income	**39,271**	21,867
Profit allocated to NCI	**20,155**	9,144
Net cash (used in)/generated from operating activities	**(5,298)**	7,720
Net cash used in investing activities	**(18,049)**	(12,523)
Net cash generated from financing activities	**7,031**	3,300
Net decrease in cash and cash equivalents	**(16,316)**	(1,503)

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 November 2022.

Five Year Financial Summary

RESULTS

	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**1,007,186**	567,553	579,231	480,852	512,133
Profit (loss) before tax	**3,777**	1,611	9,063	(53,005)	(20,631)
Income tax expense	**(5,167)**	(616)	(75)	(149)	(111)
(Loss) profit for the period/year	**(1,390)**	995	8,988	(53,154)	(20,742)
(Loss) profit for the period/year attributable to:					
– Owners of the Company	**(21,545)**	(8,149)	(3,159)	(53,617)	(17,399)
– Non-controlling interests	**20,155**	9,144	12,147	463	(3,343)
	(1,390)	995	8,988	(53,154)	(20,742)

ASSETS AND LIABILITIES

	At 30 June 2022 HK$'000	At 31 December 2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**249,952**	188,321	176,177	146,735	147,406
Total liabilities	**(243,915)**	(201,290)	(212,689)	(192,018)	(179,425)
Total equity (deficit)	**6,037**	(12,969)	(36,512)	(45,283)	(32,019)
Capital deficiency attributable to owners of the Company	**(37,725)**	(37,488)	(50,316)	(47,045)	(33,306)
Non-controlling interests	**43,762**	24,519	13,804	1,762	1,287
	6,037	(12,969)	(36,512)	(45,283)	(32,019)