



偉俊生物科技有限公司
Wai Chun Bio-Technology Limited

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

2022/2023
ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Ching Kui (*resigned on 18 July 2022*)
Chan Cheuk Ho (*redesignated from INED on 18 July 2022 and resigned on 13 March 2023*)
Lam Ka Chun (*appointed on 13 March 2023*)

Independent Non-Executive Directors (“INED(s)”)

Wan Bo
Hong Ting (*appointed on 5 October 2022*)
Hung Hoi Ming Raymond (*appointed on 9 January 2023 and resigned on 9 August 2023*)
Hau Pak Man (*resigned on 10 October 2022*)
Chan Cheuk Ho (*redesignated from INED to executive director on 18 July 2022*)

AUTHORISED REPRESENTATIVES

Lam Ka Chun (*appointed on 13 March 2023*)
Chan Cheuk Ho (*appointed on 18 July 2022 and resigned on 13 March 2023*)
Lam Ching Kui (*resigned on 18 July 2022*)
Fenn David (*appointed on 4 February 2022 and resigned on 14 July 2023*)
HE Xiaoping (*appointed on 14 July 2023*)

COMPANY SECRETARY

Fenn David (*appointed on 4 February 2022 and resigned on 14 July 2023*)
HE Xiaoping (*appointed on 14 July 2023*)

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*)
Hung Hoi Ming Raymond (*appointed on 9 January 2023 and resigned on 9 August 2023*)

REMUNERATION COMMITTEE

Hong Ting (*Chairman*)
(*appointed on 5 October 2022*)
Lam Ka Chun (*appointed on 13 March 2023*)
Chan Cheuk Ho (*resigned on 13 March 2023*)
Wan Bo
Lam Ching Kui (*resigned on 18 July 2022*)
Hau Pak Man (*resigned on 10 October 2022*)
Hung Hoi Ming Raymond (*appointed on 9 January 2023 and resigned on 9 August 2023*)

NOMINATION COMMITTEE

Wan Bo (*Chairman*)
Lam Ka Chun (*appointed on 13 March 2023*)
Chan Cheuk Ho (*resigned on 13 March 2023*)
Hong Ting (*appointed on 5 October 2022*)
Hung Hoi Ming Raymond (*appointed on 9 January 2023 and resigned on 9 August 2023*)
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

Rooms 4001-02, 40/F.,
China Resources Building,
26 Harbour Road, Wanchai
Hong Kong

AUDITOR

CCTH CPA Limited
Certified Public Accountants
15/F, Tower 2
Kowloon Commerce Centre
51 Kwai Cheong Road
Kwai Chung
New Territories, 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>

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 30 June 2023 (the “Year”), the Group recorded revenue of approximately HK\$773.65 million (for the eighteen months period ended 30 June 2022: approximately HK\$1,007.19 million) and gross profit of approximately HK\$50.41 million (for the eighteen months period ended 30 June 2022: approximately HK\$90.19 million). The gross profit margin for the Year was approximately 6.52% (for the eighteen months period ended 30 June 2022: approximately 8.95%), the decrease in gross profit margin was mainly due to the increase in purchase price of raw materials with the loosen Covid-19 prevention measures in the mainland China which leads to higher production costs in the second half year ended 30 June 2023.

The Group recorded administrative expenses of approximately HK\$21.08 million for the Year (for the eighteen months period ended 30 June 2022: approximately HK\$39.32 million). The decrease in administrative expenses was mainly because of the decrease in staff cost, which was led by the drop in numbers of staff of the Group and the resignation of Mr. Lam Ching Kui as the chairman, chief executive officer and executive director of the Company on 18 July 2022. The numbers of staff of the Group dropped during the Year was largely because the Group implemented tight cost control management.

Loss attributable to owners of the Company for the Year was approximately HK\$15.43 million (for the eighteen months period ended 30 June 2022: loss of approximately HK\$21.55 million). The loss increased proportionately as compared to previous period was mainly due to the decrease in gross profit during the Year.

Modified Starch and Other Biochemical Products Business

All the revenue of approximately HK\$773.65 million for the Year (for the eighteen months period ended 30 June 2022: approximately HK\$1,007.19 million) was contributed by this segment. The segment generated a segment profit of approximately HK\$18.07 million in the Year (for the eighteen months period ended 30 June 2022: HK\$49.28 million).

Management Discussion and Analysis

Financial Resources and Position

As at 30 June 2023, the Group had net current liabilities of approximately HK\$29.66 million (30 June 2022: approximately HK\$25.49 million) and cash and cash equivalents of approximately HK\$6.31 million (30 June 2022: approximately HK\$7.52 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\$134.33 million as at 30 June 2023 (30 June 2022: approximately HK\$151.28 million), comprising borrowings of approximately HK\$59.29 million (30 June 2022: approximately HK\$83.52 million), loans from the ultimate holding company of approximately HK\$2.51 million (30 June 2022: approximately HK\$0.83 million), convertible bonds of approximately HK\$69.73 million (30 June 2022: approximately HK\$65.65 million) and lease liabilities of approximately HK\$2.80 million (30 June 2022: approximately HK\$1.28 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 53.0% (30 June 2022: approximately 57.5%).

The Group had future minimum lease payments under a non-cancellable operating lease in respect of rented premises of approximately HK\$2.8 million as at 30 June 2023 (30 June 2022: approximately HK\$1.30 million), which the lease term was within two years.

As at 30 June 2023, the Company has undrawn loan facilities of approximately HK\$67.49 million granted by Wai Chun Investment Fund, its ultimate holding company.

Foreign Currency Fluctuation

For the Year, 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 2023, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 30 June 2023, part of the Group's right-of-use assets with carrying amount of approximately HK\$20.49 million (30 June 2022: approximately HK\$22.22 million) were pledged to secure certain bank borrowings.

Dividend

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

BUSINESS REVIEW AND OUTLOOK

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

The business of manufacture and sales of modified starch and other biochemical products recorded segment profit of approximately HK\$18.07 million (for the eighteen months period ended 30 June 2022: approximately HK\$49.28 million) during current Year. The decrease in segment profit was primarily because of the decrease in gross profit margin and gross profit which was led by the increase in purchase price of raw materials in the second half of the Year.

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

For the Year, there were no major acquisitions and disposal of subsidiaries.

Biographical Details of Directors

EXECUTIVE DIRECTOR

Mr. Lam Ka Chun (“Mr. Lam”) has been appointed as an executive director of the Company with effect from 13 March 2023.

Mr. Lam, aged 32, has been managing directors of the Company and Wai Chun Group Holdings Limited (stock code: 1013) (a company listed on the Main Board of the Stock Exchange) since 2017 and he is responsible for the investment and operation of the listed companies. Mr. Lam served as chief executive officer in various companies from 2011 to 2017 and has accumulated extensive experience in projects investment and management. Mr. Lam studied chemistry at Imperial College London from 2009 to 2011. Other than disclosed above, Mr. Lam did not hold any other directorships in any listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Bo (“Mr. Wan”), aged 55, 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. Other than disclosed above, Mr. Wan did not hold any other directorships in any listed public companies in the past three years.

Ms. Hong Ting (“Ms. Hong”), aged 37, 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. Ms. Hong worked for an international audit firm and has over 15 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.

Ms. Hong joined Yun Lee Marine Group Holdings Limited, a listed company in the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 2682) on 9 January 2023 as an Independent Non-Executive Director and the Chairman of Audit Committee. Ms. Hong joined World Houseware (Holdings) Limited, a listed company in the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 713) on 1 July 2023 as an independent non-executive director. Ms. Hong was a non-executive director in Alco Holdings Limited, a company listed on the Stock Exchange (Stock Code: 328) from 16 June 2022 to 27 January 2023. Other than disclosed above, Ms. Hong did not hold any other directorships in any listed public companies in the past three years.

Report of the Directors

The Directors of the Company submit their report together with the audited consolidated financial statements for year ended 30 June 2023.

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 year ended 30 June 2023 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 65 to 134.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, and equipment of the Group during the Year 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 Year 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 Year are set out in the consolidated statement of changes in equity set out on page 68 and note 31 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2023, the Company did not have any reserves available for distribution to its shareholders (2022: Nil).

Report of the Directors

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 134 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. Lam Ka Chun (*appointed on 13 March 2023*)

Mr. Chan Cheuk Ho (*redesigned from INED on 18 July 2022 and resigned on 13 March 2023*)

Mr. Lam Ching Lui (*resigned on 18 July 2022*)

Independent Non-executive Directors

Mr. Wan Bo

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

Mr. Hung Hoi Ming Raymond (*appointed on 9 January 2023 and resigned on 9 August 2023*)

Mr. Chan Cheuk Ho (*redesigned from INED to executive director on 18 July 2022 and resigned on 13 March 2023*)

Mr. Hau Pak Man (*resigned on 10 October 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 letter of appointment 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 letter of appointment 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 Year.

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 Year.

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 Year 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 Year.

Report of the Directors

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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

Name of Shareholder	Capacity	Long position/ Short position	Ordinary shares of HK\$0.025 each	
			Number of shares/ underlying shares held	Approximate percentage of issued share capital (Note c)
Mr. Lam Ching Kui	Beneficial owner	Long Position	268,072,400 (Note a)	156.33%
	Interests of controlled corporations	Long Position	221,150,243 (Note b)	128.97%

Notes:

- Mr. Lam Ching Kui directly holds 72,400 shares of the Company and the zero coupon convertible bonds in the principal amount of HK\$67,000,000 under which 268,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned zero coupon convertible bonds.
- Mr. Lam Ching Kui is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 84,550,243 shares of the Company. Wai Chun Investment Fund is the sole shareholder of Chinese Success Limited, which is the holder of zero coupon convertible bonds in the aggregate principal amount of HK\$34,150,000 under which 136,600,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned zero coupon convertible bonds.
- The approximate percentages of shareholding are calculated based on 171,476,453 ordinary shares of the Company as at 30 June 2023.

Other than disclosed above, as at 30 June 2023, 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 Year 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 2023, 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

Name of Shareholder	Capacity	Ordinary shares of HK\$0.025 each	
		Number of shares/ underlying shares held	Approximate percentage of issued share capital (Note 5)
Lam Ching Kui (Note 1)	Beneficial owner	268,072,400	156.33%
	Interests of controlled corporations	221,150,243	128.97%
Wai Chun Investment Fund (Note 1)	Interests of controlled corporations	221,150,243	128.97%
Chinese Success Limited (Note 1) ("Chinese Success")	Beneficial owner	221,150,243	128.97%
Onward Global Investments Limited (Note 2)	Beneficial owner	12,863,500	7.50%
Wan Yuzhen (Note 2)	Beneficial owner	100	0.00%
	Interests of controlled corporation	12,863,500	7.50%
Fair Concourse Limited ("Fair Concourse") (Note 3)	Beneficial owner	14,127,040	8.24%
Mai Xiu Qun (Note 3)	Interest of controlled corporation	14,127,040	8.24%

Report of the Directors

Name of Shareholder	Capacity	Ordinary shares of HK\$0.025 each	
		Number of shares/ underlying shares held	Approximate percentage of issued share capital (Note 5)
South Bright Holdings Limited ("South Bright") (Note 4)	Beneficial owner	10,172,337	5.93%
Wan Qian Yi (Note 4)	Interest of controlled corporation	10,172,337	5.93%

Notes:

- (1) Chinese Success, which is wholly owned by Wai Chun Investment Fund, holds 84,550,243 shares of the Company. Mr. Lam Ching Kui, directly holds 72,400 shares and is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. As at 30 June 2023, Mr. Lam Ching Kui is also the holder of zero coupon convertible bonds in the principal amount of HK\$67,000,000 under which 268,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned zero coupon convertible bonds. Mr. Lam Ching Kui is the director of Chinese Success and Wai Chun Investment Fund.

On 22 December 2022, 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\$14,000,000 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 10 March 2023. The completion for the subscription of the convertible bonds took place on 14 March 2023 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 zero coupon convertible bonds in the principal amount of HK\$14,000,000 to Chinese Success on 14 March 2023, under which 56,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned zero coupon convertible bonds.

On 31 March 2023, Chinese Success converted HK\$850,000 zero coupon convertible bonds into 3,400,000 ordinary shares of the Company. Chinese Success is also the holder of zero coupon convertible bonds in the remaining principal amount of HK\$20,150,000 under which 80,600,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned zero coupon convertible bonds.

- (2) These 12,863,500 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 12,863,500 shares held by Onward Global Investments Limited. Wan Yuzhen also directly holds 100 shares.
- (3) The 14,127,040 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 14,127,040 shares held by Fair Concourse.
- (4) The 10,172,337 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 10,172,337 shares held by South Bright.
- (5) The approximate percentages of shareholding are calculated based on 171,476,453 ordinary shares of the Company as at 30 June 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 2023, 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 2023, 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 2023, 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 Year are set out in note 33 to the consolidated financial statements.

MANAGEMENT CONTRACTS

During the Year 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 Year.

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 49.35% 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 year ended 30 June 2023, the Company incurred total rental charges of HK\$2,925,000 payable to Wai Chun Holdings Group Limited.

Report of the Directors

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 December 2022, 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\$14,000,000 (the “Subscription”).

Chinese Success is a controlling shareholder interested in an aggregate of 84,550,243 shares, representing in aggregate approximately 49.31% 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 72,400 shares personally, representing in aggregate approximately 0.04% 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 10 March 2023, the issuance of convertible bonds in the principal amount of HK\$14,000,000 (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 10 March 2023, and the Issuance was completed on 14 March 2023.

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 Year, the five largest customers of the Group accounted for approximately 36% of total turnover and sales to the largest customer accounted for approximately 13%. The five largest suppliers of the Group in aggregate accounted for approximately 75% of its operating costs for the Year. Purchases from the largest supplier accounted for approximately 58% 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 Year.

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 2023, the Group had a total of 128 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.

Report of the Directors

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENVIRONMENTAL POLICIES

The Group puts great emphasis on environmental protection and sustainable development. The conscientious use of resources and the adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection, complies with environmental legislations and promotes awareness towards environmental protection to its employees. Several measures have been implemented by the Group in order to promote environmental protection, including, among others:

- Reduce: reduce waste material;
- Reuse: reuse waste material without processing;
- Recycle: reuse materials as resources;
- Refuse: avoid purchases;
- Recover: recover materials in a different form.

The Group continue to assess the performance of the above policies and with positive results so far.

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 Year, 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 of the Group for the year ended 30 June 2023 were audited by CCTH CPA Limited (“CCTH”). CCTH will retire and, being eligible, offer themselves for re-appointment. The Board has taken the audit committee’s recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lam Ka Chun

Executive Director

Hong Kong, 29 September 2023

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 Year, the Company has complied with the relevant code provisions set out in the CG Code except for the deviation from code provision C.2.1, which are explained below.

Code provision C.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 until the resignation of Mr. Lam Ching Kui for all positions in the Group with effect from 18 July 2022. Mr. Lam was the chairman and chief executive officer of the Company, who has extensive experience in project management and securities investments and was 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. Lam Ka Chun (*appointed on 13 March 2023*)

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 year ended 30 June 2023, 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;

Corporate Governance Report

- 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 year ended 30 June 2023, 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 (<i>resigned on 18 July 2022</i>)	1/14
Mr. Chan Cheuk Ho (<i>resigned on 13 March 2023</i>)	11/14
Mr. Lam Ka Chun (<i>appointed on 13 March 2023</i>)	3/14
Mr. Wan Bo	14/14
Ms. Hong Ting (<i>appointed on 5 October 2022</i>)	11/14
Mr. Hung Hoi Ming Raymond (<i>appointed on 9 January 2023 and resigned on 9 August 2023</i>)	7/14
Mr. Hau Pak Man (<i>resigned on 10 October 2022</i>)	4/14

General Meetings

During the year ended 30 June 2023, one annual general meeting and two extraordinary general meetings of the Company were held on 29 December 2022, 10 March 2023 and 29 June 2023 respectively. The attendance of each Director is set out as follows:

Name of Directors	Number of meetings attended/held
Mr. Lam Ching Kui (<i>resigned on 18 July 2022</i>)	0/3
Mr. Chan Cheuk Ho (<i>resigned on 13 March 2023</i>)	2/3
Mr. Lam Ka Chun (<i>appointed on 13 March 2023</i>)	1/3
Mr. Wan Bo	3/3
Ms. Hong Ting (<i>appointed on 5 October 2022</i>)	3/3
Mr. Hau Pak Man (<i>resigned on 10 October 2022</i>)	0/3
Mr. Hung Hoi Ming Raymond (<i>appointed on 9 January 2023 and resigned on 9 August 2023</i>)	2/3

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 2023 to the Company.

Corporate Governance Report

Executive Director

Mr. Lam Ka Chun, was appointed as an executive director of the Company. 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 two Independent Non-executive Directors. Ms. Hong Ting 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.

Corporate Governance Report

During the year ended 30 June 2023, the Remuneration Committee held two meetings, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Ms. Hong Ting (<i>Chairman, appointed on 5 October 2022</i>)	2/2
Mr. Hau Pak Man (<i>Chairman, resigned on 10 October 2022</i>)	0/2
Mr. Lam Ching Kui (<i>resigned on 18 July 2022</i>)	0/2
Mr. Chan Cheuk Ho (<i>resigned on 13 March 2023</i>)	2/2
Mr. Lam Ka Chun (<i>appointed on 31 March 2022</i>)	0/2
Mr. Wan Bo	2/2
Mr. Hung Hoi Ming Raymond (<i>appointed on 9 January 2023 and resigned on 9 August 2023</i>)	0/2

During the year 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 year ended 30 June 2023, in conjunction with the Group’s external auditor, CCTH CPA Limited.

During the year ended 30 June 2023, the Audit Committee held three meetings, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Ms. Hong Ting (<i>Chairman, appointed on 5 October 2022</i>)	3/3
Mr. Wan Bo	3/3
Mr. Hau Pak Man (<i>resigned on 10 October 2022</i>)	0/3
Mr. Hung Hoi Ming Raymond (<i>appointed on 9 January 2023 and resigned on 9 August 2023</i>)	2/3
Mr. Chan Cheuk Ho (<i>resigned on 18 July 2022</i>)	0/3

At the meetings, the Audit Committee reviewed the audited financial statements for the eighteen months period ended 30 June 2022, the interim results for the six months period ended 31 December 2022, and proposed change of auditor to the Board 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 year ended 30 June 2023.

Corporate Governance Report

The Group's results and consolidated financial statements for the year ended 30 June 2023 have been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee comprises one Executive Director and three Independent Non-executive Directors. Mr. Wan Bo 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 year ended 30 June 2023, the Nomination Committee held one meeting, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Mr. Wan Bo (<i>Chairman, appointed on 18 July 2022</i>)	1/1
Mr. Lam Ka Chun (<i>appointed on 13 March 2022</i>)	0/1
Ms. Hong Ting (<i>appointed on 5 October 2022</i>)	1/1
Mr. Lam Ching Kui (<i>Chairman, resigned on 18 July 2022</i>)	0/1
Mr. Hau Pak Man (<i>resigned on 10 October 2022</i>)	0/1
Mr. Hung Hoi Ming Raymond (<i>appointed on 9 January 2023 and resigned on 9 August 2023</i>)	0/1
Mr. Chan Cheuk Ho (<i>resigned on 13 March 2022</i>)	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 year ended 30 June 2023, 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. FENN David (“Mr. Fenn”) was the company secretary and resigned on 14 July 2023. Ms. He Xiaoping appointed as the 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 year ended 30 June 2023.

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 Year.

EXTERNAL AUDITOR AND ITS REMUNERATION

ZHONGHUI ANDA CPA Limited (“ZHONGHUI”) was re-appointed as the Auditor in the Company’s annual general meetings held on 17 June 2021 and 29 December 2022. On 29 June 2023, ZHONGHUI was removed as the Auditor of the Company while CCTH CPA Limited (“CCTH”) has been appointed to fill to casual vacancy following the removal of ZHONGHUI and to hold office until the conclusion of the forthcoming AGM.

The Auditors’ remuneration for the year ended 30 June 2023 was as follows:

Nature of work	Fee <i>HK\$’000</i>
Audit services	400

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 62 to 64 of this annual report.

Corporate Governance 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 year ended 30 June 2023, there was no change in the Company's Memorandum and Articles of Association.

Environmental, Social and Governance Report

ABOUT THIS REPORT

INTRODUCTION

In accordance with Appendix 27- Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), Wai Chun Bio-Technology Limited and its subsidiaries (collectively known as the “Group” or “We”) are pleased to present this Environmental, Social and Governance Report (the “Report”). The purpose of the ESG Report is to provide our stakeholders with a comprehensive view of our environmental, social and governance (“ESG”) performance, initiatives and achievements in four areas: environmental protection, employment and labour policies, operational practices and community involvement.

REPORTING PRINCIPLES

The ESG Report is prepared according to the “Comply or Explain” provisions and the four Reporting Principles as required by the ESG Reporting Guide:

1. **Materiality:** Disclosure is required in this Report if ESG issues have a material impact on our investors and other stakeholders.
2. **Quantitative:** The identified ESG data are measurable, so that the KPIs in this report can be compared with peers, industry standards and our previous years’ performance.
3. **Balance:** The performance information in the Report is presented in an unbiased manner, avoiding selections, omissions or presentations that might inappropriately influence the decisions or judgments of stakeholders.
4. **Consistency:** To ensure comparability, all key performance indicators calculations and assumptions are consistent with previous years. Any changes in relevant assumptions or calculation methods are clearly disclosed to inform stakeholders.

REPORTING BOUNDARY

The scope of this ESG Report focuses on the Group’s main business, which includes (i) manufacture and sale of modified starch and other biochemical products; and (ii) trading of electronic parts and electrical appliances. The Group’s main business is same as last financial period. The Group has a factory in Shandong (the “Shandong Factory”) of the People’s Republic of China (the “PRC”) produces modified starch and other biomedical refined oil products. The Shandong Factory is considered to be of materiality pursuant to the Reporting Guideline for the purpose of ESG reporting. The information stated in this report covers the period from 1 July 2022 to 30 June 2023 (the “Reporting Period”). This report focuses on four environmental aspects and eight social aspects of policy and related performance disclosure of the Shandong Factory and the management headquarter in Hong Kong for the Reporting Period.

In addition to achieving business objectives, the Group is aware of its responsibility to operate more responsibly and sustainably by incorporating ESG considerations into its daily operations. For this reason, the Group has prepared ESG Performance indicators (“KPIs”) and compared the results of the Reporting Period with prior period result. The Group will improve the shortcomings and make appropriate revisions and implement corresponding measures when necessary.

STATEMENT FROM THE BOARD

OUR SUSTAINABILITY MISSION

The Group strives to be a successful operator in its business operations. In pursuit of sustainable development and the creation of long-term value for shareholders and other stakeholders, the Group has integrated ESG themes into its daily operations. These ESG considerations have become significant consideration of the Group's corporate strategic objectives and practices.

OUR APPROACH TO SUSTAINABILITY

The Group recognizes sustainable development as a crucial element of its future development and believes that sustainable practices should begin with the internal management. The Board of Directors is fully responsible to oversight of ESG issues and establish the Group's sustainable development direction and strategy. As part of this commitment, the Board of Directors conducts an annual enterprise risk assessment to identify current and potential risks within our complex business environment, encompassing various aspects including ESG aspects. Additionally, the Board of Directors is also responsible for overseeing and ensuring that the management and the environmental, social, and governance work team have all the appropriate tools and resources at their disposal to oversee ESG matters.

The Group reviews the performance and progress of implementation of ESG-related objectives and targets annually. To ensure transparency and accountability, the environmental, social, and governance work team evaluates and reviews the ESG performance of the Group and reports to the Board periodically. If significant non-compliance is identified, the Group conducts analyse of variances, identifies the causes in a timely manner, and communicates with stakeholders to revise the ESG strategy as appropriate, aligning it with business reality. The Group actively engages with various stakeholders to ensure that the ESG performance of the Group meets their expectations. The Board of Directors sets strategic objectives to guide the Group's future development, considering the Group's philosophy and objectives, and carefully examining whether they can be achieved.

STAKEHOLDER ENGAGEMENT

The Group identifies stakeholders based on their relationship with the Group, and the extent to which they are affected by our business operations, and the degree to which they influence the achievement of our business objectives. Stakeholders for the Reporting Period include employees, customers, shareholders, suppliers, regulatory bodies and the community. In order to strengthen relationships with internal and external stakeholders and to create social value proactively, the Group is committed to understanding the issues of concern to stakeholders through a wide range of communication channels.

Environmental, Social and Governance Report

The following table provides an overview of the Group's key stakeholders, expectations, and the Group's communication and feedback:

Major Stakeholders		Expectations	Communication and Feedback
Internal	Employees	<ul style="list-style-type: none"> • Career development platform • Salary and benefits and employee communication 	<ul style="list-style-type: none"> • Annual performance appraisal system and staff communication • Training, seminars and briefing sessions
	Shareholders	<ul style="list-style-type: none"> • Communication with shareholders • Corporate transparency • Financial performance 	<ul style="list-style-type: none"> • 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
External	Customers	<ul style="list-style-type: none"> • Customer satisfaction 	<ul style="list-style-type: none"> • Company website and customer service hotline
	Suppliers	<ul style="list-style-type: none"> • Integrity cooperation 	<ul style="list-style-type: none"> • Regular supplier communications and reviews
	Regulators	<ul style="list-style-type: none"> • Response to inquiries from regulators • Corporate governance and compliance • Compliance training 	<ul style="list-style-type: none"> • Regular meetings and communications • Corporate governance report • Operation with compliance • Training, focus groups and other events
	Community	<ul style="list-style-type: none"> • Community care 	<ul style="list-style-type: none"> • Sponsorships and donations

MATERIALITY ASSESSMENT

The Group conducted an annual materiality assessment to enhance stakeholders' understanding of the Group's ESG performance and sustainable development strategy during the Reporting Period.

The detailed methodology of the materiality assessment approach is shown below:

1. Methodology design: Materiality analysis is designed around the implementation of the ESG initiative and complies with the materiality principles outlined in the Reporting Principles section and Listing Rules mentioned above.
2. Identify material ESG issues: The Group relies on significant ESG issues from the previous year and feedback from stakeholders, as well as policies and procedures, industry and international trend reports, regulatory updates, and external standards to identify ESG issues.

Environmental, Social and Governance Report

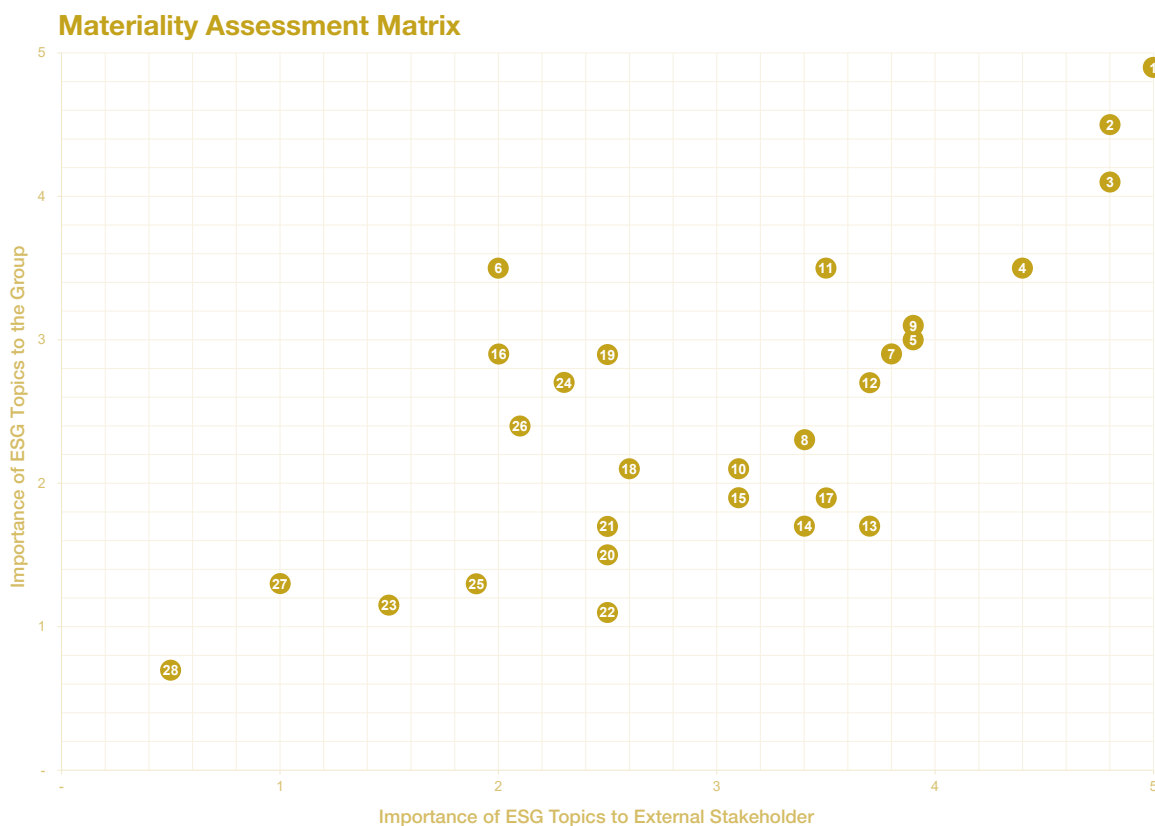
3. Stakeholder validation and participation: ESG issues are rated with internal and external stakeholders based on a range of ratings from 0 (no significance) to 6 (high significance). Additional ESG issues not covered in the above assessment can also be raised and stakeholders are encouraged to provide feedback on how we engage.
4. Prioritize significant ESG issues: Through statistical analysis of data, ESG issues are prioritized based on their importance and presented in a chart format.

The significant ESG issues of the Group are shown in the table below:

Item	ESG Topic	Item	ESG Topic
1	Product health and safety	15	Non-hazardous waste production
2	Water use	16	Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions)
3	Energy use (e.g. electricity, gas, fuel)	17	Observing and protecting intellectual property rights
4	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers	18	Selection and monitoring of suppliers
5	Customer satisfaction	19	Air emissions
6	Product and service labelling	20	Occupational health and safety
7	Mitigation measures to protect environment and natural resources	21	Diversity and equal opportunity of employees
8	Climate change	22	Preventing child and forced labour
9	Use of materials (e.g. paper, packaging, raw materials)	23	Environmentally preferable products and services
10	Hazardous waste production	24	Marketing communications (e.g. advertisement)
11	Anti-corruption training provided to directors and staff	25	Employee development and training
12	Greenhouse gas emissions	26	Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering
13	Customer information and privacy	27	Cultivation of local employment
14	Anti-corruption policies and whistleblowing procedure	28	Community support (e.g. donation, volunteering)

Environmental, Social and Governance Report

The following table briefly shows the results of the assessment:



Based on the above analysis, the Group has identified “Product health and safety”, “Water use”, and “Energy use (e.g. electricity, gas, fuel)” as the top three areas of focus during the Reporting Period. The board of directors has set targets for each major KPI, and the ESG targets related to major KPIs will be reviewed annually to ensure that they still meet the needs of the Group.

INFORMATION AND FEEDBACK

The Group welcomes all feedback from investors and stakeholders in particular the important areas identified in the materiality assessment. Your opinion is highly valued, should you have any suggestions or comments, please contact us through the channels below:

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A. ENVIRONMENT

The Group understands its responsibility for environmental protection and sustainable development, and is committed to environmental protection and sustainable development as an important part of our business strategy.

A1 EMISSIONS

During the production processes, hazardous and non-hazardous air, liquid and solid wastes, indirect greenhouse gas (GHG) emission from use of electricity and vehicle 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 and liquid 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 clear instructions 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.

In order to become an environment responsible corporation and for protecting the environment and conserving natural resources, 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.

The Group is fully compliance with all the national and local environmental laws, rules and regulations and industrial standards which includes but not limited to the *Air Pollution Control Ordinance (Cap 311)*, the *Protection of Odour Layer Ordinance (Cap 403)*, the *Environmental Protection Law of the People's Republic of China*, and *Water Pollution Prevention and Control Law of the People's Republic of China*. During the Reporting Period, the Group did not find any non-compliance with emission and environmental laws and regulations.

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The intensity of the environment aspect, including the air emissions, were calculated based on the number of employees in previous Reporting Period. In light of changes in business scale and future development, the basis of intensity calculation has now shifted to HK\$ million of revenues, starting from this Reporting Period. The emission targets have been re-calculated on this new basis to ensure consistency and comparability of figures across the reports.

Air Emissions

The Group has implemented various systems within the Shandong Factory to effectively collect and managed all hazardous air emissions. The drying process of the modified starch production line generated powder dust in the air. To address this, a spiral dust remover was installed, which facilitated a two-stage filtration process. 99.5% of the powder dust was successfully eliminated, ensuring that the air released from the factory adhered to local air quality standards. The immersion process of the biomedical refined oil production line resulted in the production of N-hexane, a hazardous substance. To mitigate its impact, a paraffin collection system was put in place. This system systematically collected the N-hexane and routed it to the deodorizing facility for treatment to meet local standards before being released into the environment.

During the Reporting Period, direct emissions are mainly from the combustion of fuel in the operational vehicles, the approximate amounts of nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and Particulate Matter (PM) generated during the Group’s operations and the emission intensity are shown in the table below:

Emissions from Vehicles	Units	July 2022 to June 2023	January 2021 to June 2022
Nitrogen Oxides (NOx)	gram	525.51	354.70
Sulphur Oxides (SOx)	gram	6.79	6.91
Particulate Matter (PM)	gram	38.69	26.12
Total air emission	gram	570.99	387.73
Total air emission intensity	gram/HK\$ million of revenue	0.74	0.38

Note 1: The emission factors used to calculate the NOx, SOx and PM are sourced from: the Hong Kong Environmental Protection Department’s EMFAC-HK Vehicle Emission Calculation model and the United States Environmental Protection Agency’s Vehicle Emission Modelling 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.

During the Reporting Period, the total emissions of NOx, SOx and PM are 525.51 grams, 6.79 grams and 38.69 grams, respectively.

Due to the recovery of COVID-19, and travel needed for the business operation and development, the total air emission was increased. Various energy-saving measures will be implemented to reduce the emissions, including but not limited to encouraging employees to use video conferencing to reduce unnecessary travel, encouraging the use of public transportation for long distances travelling and bicycles or walking for short distances travelling; and exploring other alternatives such as the use of electric or energy-efficient vehicles to reduce emissions.

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The Group aimed to reduce the air emission intensity per revenue by 2% by the financial year ended of 2026 (compared to the 2020 baseline). As of the end of the Reporting Period, the air emission intensity has been reduced by 3% compared to 2020.

Greenhouse Gas (GHG) Emissions

Global warming is a key area of concern for climate change. Human activities, such as the burning of fossil fuels and deforestation, contribute to the acceleration of global warming, disrupting the delicate balance of the natural world and impacting the livelihoods of employees, customers, and communities. The Group recognizes the importance of monitoring greenhouse gas emissions and exploring different methods to reduce pollution.

The Group's greenhouse gas emissions can be broadly categorized into direct emissions (Scope 1), indirect emissions from energy (Scope 2) and other indirect emissions (Scope 3). During the Reporting Period, the greenhouse gas emissions are summarised as follows:

GHG Emissions ¹	Unit ²	July 2022 to June 2023	January 2021 to June 2022
Scope 1 – Direct GHG Emissions ³	tCo ₂ e	1	1
Scope 2 – Indirect GHG Emissions ⁴	tCo ₂ e	12,468	16,776
Scope 3 – Other Indirect GHG Emissions ⁵	tCo ₂ e	56	139
Total GHG Emissions	tCo ₂ e	12,525	16,916
Scope 1 intensity	tCo ₂ e/HK\$ million of revenue	0.0013	0.0010
Scope 2 intensity	tCo ₂ e/HK\$ million of revenue	16.1157	16.6563
Scope 3 intensity	tCo ₂ e/HK\$ million of revenue	0.0724	0.1380
Total GHG emission intensity⁶	tCo ₂ e/HK\$ million of revenue	16.1894	16.7953

Notes:

1. The above GHG emission data have been compiled with reference to “How to prepare an ESG Report—Appendix II: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange.
2. tCo₂e refers to tonnes of carbon dioxide equivalent.
3. Direct emissions of the Group were from fuel combustion in vehicle.
4. Indirect emissions of the Group were from purchased electricity.
5. Other indirect emissions of the Group included paper used and electricity used for fresh water and sewage processing by government department.
6. The intensity is calculated by dividing the GHG emissions by Hong Kong Dollar million of Group's revenue during the Reporting Period.

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The Group emitted a total of 12,497 tonnes of carbon dioxide equivalent (“tCo₂e”) during the Reporting Period. It can be seen that indirect emissions are the main source of greenhouse gas generation in the Group, and indirect emissions mainly come from the use of electricity. The GHG emission under scope 1 to 3 have remained steady, with intensities similar to those of the last Reporting Period. The Group aimed to reduce the GHG emission intensity per revenue by 2% by the financial year ended of 2026 (compared to the 2020 baseline).

As of the end of the Reporting period, the GHG emission intensity has been reduced by 8% to 63% compared to 2020.

Environmental Indicators	Reduction Target	Emission in 2020	Current Progress
GHG emissions intensity (Scope 1)	Reduce 2% by FY2026	0.0035	Reduced 63%
GHG emissions intensity (Scope 2)	Reduce 2% by FY2026	17.4644	Reduced 8%
GHG emissions intensity (Scope 3)	Reduce 2% by FY2026	0.1762	Reduced 59%

The current progress in reduction targets of Scope 1 to 3 is satisfactory, the Group will continue to assess and record its GHG emissions and other environmental data annually to assist the Group in achieving the emission reduction targets in the future.

Waste Management

The Shandong Factory's modified starch and refined corn oil business generate solid wastes. The residuals from the Shandong Factory are the main source of the solid wastes, residuals can be hazardous without proper treatment. To mitigate these risks, the Group has taken proactive measures by engaging professional licensed contractors to undertake the collection and disposal of these residuals. This approach ensures that proper treatment is undertaken in compliance with regulatory requirements and industry best practices. During the reporting period, the Group did not produce any hazardous waste in production plants.

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In addition to residuals, the Shandong Factory also produces non-hazardous general wastes derived from various sources such as used paper packaging materials, office waste, and general living waste. As part of the strategic commitment to environmental protection, the Group has implemented a waste management plan wherein these non-hazardous wastes are systematically transferred to the cleaning staff employed by the building management office for regular collection and appropriate treatment. The Group advocates for its employees to adopt economic use and recycling of resources to prevent and reduce wastes.

During the Reporting Period, the Group complied with all laws and regulations relating to the generation of hazardous waste and non-hazardous waste, including but not limited to the *Waste Disposal Ordinance (Cap 354 of the Laws of Hong Kong)* and *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*.

Hazardous and Non-hazardous waste	Units	July 2022 to June 2023	January 2021 to June 2022
Total hazardous waste	Tonnes	N/A	N/A
Intensity of hazardous waste	Tonnes/HK\$ million of revenue	N/A	N/A
Total non-hazardous waste	Tonnes	5,887	6,147
Intensity of non-hazardous waste	Tonnes/HK\$ million of revenue	7.61	6.10

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.

During the Reporting Period, the Group complied with all laws and regulations relating to the generation of hazardous waste and non-hazardous waste, including but not limited to the *Waste Disposal Ordinance (Cap 354 of the Laws of Hong Kong)* and *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*. The current reduction progress in non-hazardous waste is steady, the Group will monitor the situation and adjust the reduction target if needed.

The Group aimed to reduce the non-hazardous waste produced intensity per revenue by 2% by the financial year ended of 2026 (compared to the 2020 baseline). As of the end of the Reporting period, the non-hazardous waste intensity has been reduced by 4% compared to 2020. The current progress in reduction targets of non-hazardous waste is steady, the Group will continue to assess and record its waste produced and other environmental data to assist the Group in monitoring the reduction targets.

Environmental Indicators	Reduction Target	Emission in 2020	Current Progress
Non-hazardous waste produced intensity	Reduce 2% by FY2026	7.95	Reduced 4%

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Water Pollution

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.

A2 USE OF RESOURCES

The Group firmly believes that environmental protection is crucial for sustainable business development, and therefore adheres to the highest environmental standards in business operations. The Group is committed to conserving and protecting resources such as energy, water, and paper, and promoting this awareness among employees and business partners. Compliance with environmental laws, rules, and regulations is a fundamental aspect of our responsible approach, as we strive to minimize our environmental impact and optimize operational costs. The 5R principles added in the guiding rules for the Group's resource conservation and reduction programs, which promote measures for reducing, reusing, recycling, replacing, and recovering.

In the Shandong Factory, the Group utilizes electricity, steam, water and fuel for production, while the office operations rely solely on electricity and general resources. All electricity supplied from the city's gridlines, and there are no supply issues. The Shandong Factory depends entirely on city water supply for both production and general use, there is no water supply issue. Reliable and high-quality incoming water is crucial for our production needs. It is not economically feasible or technically feasible within our production parameters to use alternative water sources or recycled water without incurring significant costs and environmental impacts. Steams were used in one of the production processes in modifications of starch, it helps to filter the chemicals in the products. The steam is supplied from the city pipeline. The Group's activities and operations do not consume significant amounts of paper and packaging materials. To save operational costs and improve environmental-friendly footprint, employees are encouraged to use digital storage and communication to reduce paper usage. Packaging materials used for finished products are carefully selected to meet specifications and prioritize non-toxicity and environmental friendliness.

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The approximate resource consumption and the intensity of the Group during the Reporting Period is as follows:

Types of Sources	Unit	July 2022 to June 2023	January 2021 to June 2022
Energy			
Fuel consumption ¹	kWh	4,477	4,556
Electricity consumption	kWh	20,446,233	17,818,090
Total energy consumption	kWh	20,450,710	17,822,646
Energy consumption intensity	kWh/HK\$ million of revenue	26,433	17,695
Water			
Water consumption	m ³	89,217	162,614
Water consumption intensity	m ³ /HK\$ million of revenue	115	161
Steam			
Steam consumption	m ³	98,433	95,575
Steam consumption intensity	m ³ /HK\$ million of revenue	127	95
Packing			
Total packaging ²	Tonnes	743	706
Total packaging intensity	Tonnes/HK\$ million of revenue	0.96	0.70

Notes:

1. The conversion factors used to calculate the units to kWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.
2. The total packaging included tonnes of plastic, paper and metal used for packing the finished goods.

During the Reporting Period, the Group's energy consumption was 20,450,710 kWh, water consumption was 89,217 cubic meters, steam consumption was 98,433 cubic meters, and the packing consumption was 743 tonnes. The energy consumption levels largely determine the greenhouse gas emissions, the Group has established KPIs for electricity consumption, and also for water use, steam and packaging, for daily monitoring and supervision.

The increase of energy usage is mainly due to the increase of production volume of the Shandong Factory. The Group has also established and developed a series of measures to regulate the use of resources. The measures include but are not limited to:

- Turn off the air conditioning and lighting systems during non-office hours;
- Encourage employees to turn off equipment and appliances when not in use;

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- Choose energy-saving appliances, such as using LED energy-saving lights instead of traditional fixtures;
- Encourage employees to develop the habit of saving water by turning off water taps with their hands;
- Post water-saving signs to enhance employees' water-saving awareness;
- Invest in fresh water and energy saving tools and equipment such as the installation of water measuring meters and solar energy systems to reduce consumption;
- Strengthen the management of water equipment to prevent water leakage.

With the implementation of the water-saving practices in the Shandong Factory, the current progress in water reduction is satisfactory, and the Group will continue to monitor water usage and remain the aforementioned measures. However, regarding the reduction targets for energy, steam, and total packaging, the current progress is lagging behind. As a result of updates made to the packaging design to enhance package strength and ensure product safety during the transportation, there has been an increase in the usage of packaging materials. In the future, the Group will actively monitor resource usage and strive to reduce consumption as much as possible. It is possible that the targets may be adjusted to align with the current scale of the business.

Environmental Indicators	Reduction Target	Emission in 2020	Current Progress
Energy consumption intensity	Reduce 2% by FY 2026	18,561	Increased 42%
Water consumption intensity	Reduce 2% by FY 2026	205	Reduced 44%
Steam consumption intensity	Reduce 2% by FY 2026	113	Increased 13%
Total Packaging intensity	Reduce 2% by FY 2026	0.89	Increased 8%

A3 THE ENVIRONMENT AND NATURAL RESOURCES

The business nature of the Group involved production and manufacturing, the operations and activities consume a fair amount of fresh water and steam which are considered to have impacts on the natural resources. The Group has carried out measures to reduce their consumption successfully. The Shandong Factory emits and discharges the exhausted air with impurities and waste water which is considered to have impacts on the environment. The exhausted air has been filtered and the wastewater has been collected, treated and disposed by licensed operators without causing any problems to the environment. Nevertheless, the Group chooses to adopt policies and guidelines in line with the internationally recognized “5R” principles and practices, striving to make the best use of resources and avoid wastage as far as possible:

- Reduce: reduce waste material;
- Reuse: reuse waste material without processing;
- Recycle: reuse materials as resources;
- Refuse: avoid purchases;
- Recover: recover materials in a different form.

The Group complies with relevant laws and regulations, and no violations related to emissions and the environment were found during the Reporting Period. The Group will continue to assess the climate and environmental risks in our business operations, formulate countermeasures and regularly review and update our environmental policies. The administrative department of each operating location is responsible for monitoring the implementation of various environmental indicators to effectively implement all adopted measures and conventions.

A4 CLIMATE CHANGE

According to United Nations data, climate change is progressing at a faster and more severe rate than expected, and public awareness of climate change is also increasing. For enterprises, the impact of climate change is altering or even reshaping the current business ecosystem. In response to this new business challenge, the Group has been closely monitoring the impact of climate change to leverage the potential opportunities and mitigate these potential risks. The Task Force on Climate-related Financial Disclosures has developed a reporting framework that categorizes climate-related risks into two main types: physical risks and transition risks. During the Reporting Period, the Group has closely monitored the following potential physical risks and the transition risks:

Physical Risk

Acute Risk: Extreme weather-related events such as thunderstorms, typhoons, and hurricanes may have a negative impact on the Group’s operations, particularly the Shandong Factory. These events can damage the facilities and machines at the Shandong Factory, and employees may be unable to provide services to customers. Heatwaves resulting from extreme weather can also adversely affect the working environment for employees. To minimize the impact of these risks on the Group, various contingency measures have been implemented to address weather-related events.

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Chronic Risk: Long-term chronic risks can affect the Group's operations. The rising temperatures and decreasing water sources can affect the stability of the public infrastructure, including electricity, internet, transportation, and water supply. Additionally, the Group's suppliers may be located in high-risk areas for climate change, and pose a risk to the Group.

These long-term physical risks have strategic, operational and financial implications. They can lead to increased costs of risk and disaster protection and related operations, lower output, reduced income and declining asset quality.

Transition Risk

Policy Risk: The Paris Agreement is a global climate change agreement signed by 178 contracting parties around the world, and is a unified arrangement for global action against climate change after 2020. Starting from 2019, Hong Kong's progress in mitigating climate change will be reviewed every five years. The Hong Kong SAR government may implement new policies based on Hong Kong's progress in meeting the submission deadline. In the medium and long term, carbon pricing policies may be implemented, resulting in increased operating costs. The disclosure requirements for carbon emissions information are expected to become increasingly stringent in the near future. The Group has been closely monitoring relevant regulations on climate change, regularly reviewing global and local government policies, regulatory updates and market trends, and adjusting the climate strategy in a timely manner to meet regulatory requirements.

Market Risk: Climate change can impact markets in various ways, potentially changing customer behaviour and preferences. The concerns and considerations of stakeholders may shift, with increased attention on emission reduction performance and environmentally friendly products.

Legal Risk: As mentioned in Policy Risk, the Group regularly monitors changes in policies and regulatory requirements. During the Reporting Period, the Group has not been aware of any climate change-related litigation from third parties.

These long-term transition risks influence the strategic direction of the Group. In the foreseeable future, more resources will be invested in achieving emission reduction goals.

B. SOCIAL

B1 EMPLOYMENT

Employees are the cornerstone of a strong business and the essential foundation of business operations. The Group upholds the value of putting people first and is committed to striving to create a safe and healthy work environment and to provide a workplace free from any form of discrimination and harassment. To uphold these values, the Group has established appropriate policies and procedures, including but not limited to recruitment, transfer and promotion, termination, salary, capital calculation and compensation, and other benefits. Focusing on a transparent recruitment and hiring mechanism, the Group has also established a transparent platform to receive feedback from employees, measure their satisfaction, pay attention to their personal growth, and protect and respect their legitimate rights and interests.

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At the end of the Reporting Period, the Group decreased the size of workforce by 18% compared with the previous year to 128 employees. The distribution of our workforce by gender, age, employment type and geographical region are as follows:

Number of Employee of the Group	As at 30 June 2023	As at 30 June 2022	Movement	Percentage Comparison
By Gender				
Male	84	115	(31)	(27%)
Female	44	41	3	7%
By Age				
Below 30 years old	42	39	3	8%
Between 30 to 50 years old	60	94	(34)	(36%)
Over 50 years old	26	23	3	13%
By Employment Type				
Full-time	116	151	(35)	(23%)
Part-time	12	5	7	140%
By Geographic Location				
Mainland China	120	145	(25)	17%
Hong Kong	8	11	(3)	(27%)

The employee turnover rate by (i) gender, (ii) age group (iii) geographical region are presented in the table below (Note 1):

Percentage of Employee left the Group	Unit	July 2022 to June 2023	January 2021 to June 2022	Percentage Point Change
Total	Percentage	21	24	3
By Gender				
Male	Percentage	32	26	(6)
Female	Percentage	7	20	(13)
By Age				
Below 30 years old	Percentage	12	26	(14)
Between 30 to 50 years old	Percentage	37	27	10
Over 50 years old	Percentage	12	13	(1)
By Employment Type				
Full-time	Percentage	22	25	(3)
Part-time	Percentage	33	–	33
By Geographic Location				
Mainland China	Percentage	18	19	(1)
Hong Kong	Percentage	100	91	9

Note 1: The employee turnover rate for the Reporting Period 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 2023 in such category.

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Compared with the previous year, the Group's total turnover rate reduced 3% this year, which presented as 21%. The Group will make further efforts to continue to give more attention to its employees and actively take various measures to retain talents and thus reduce the turnover rate of employees, such as:

- Optimizing the recruitment process to enable candidates to fully understand the working environment and welfare level of the Group.
- Attach importance to corporate culture training for employees, and improve employees' sense of cultural identity of the Group.
- Pay attention to employees' work stress and promote dialogue between management and employees to relieve employees' psychological stress.
- Expand the development channels for employees within the Group and provide employees with competitive career platform for employees, and enable the Group to fully meet their career development requirements.

The Group maintains equal employment opportunities for individuals of different genders, ages, races, and religions in all aspects of labour relations, including recruitment, promotions, and dismissals. Qualifications, experience, and performance relevant to job requirements are the sole considerations. The Group arranges fair and reasonable remuneration packages for all employees. The remuneration packages of employees are determined with reference to the prevailing market level, which is commensurate with the ability, qualification and experience of the employees. All employees of the Group are entitled to fixed working hours and all statutory holidays, as well as leave and benefits in compliance with laws and regulations, including but not limited to insurance, mandatory provident fund, sick leave, maternity leave, wedding leave, paternity leave and jury leave. In addition, the Group organizes various recreational activities for its employees, including but not limited to annual dinners, birthday or Christmas parties, to enhance staff cohesion.

During the Reporting Period, the Group complied with the labour-related laws and regulations, including but not limited to the Labour Law of the People's Republic of China, the Regulation on Labour Security Supervision, and the Labour Contract Law of the People's Republic of China and the Employment Ordinance of the HKSAR. There were no reports of material fines or nonmonetary sanctions due to violations of relevant laws and regulations for the financial year ended 2023.

B2 HEALTH AND SAFETY

Building a positive health and safety culture has always been one of the Group's top priorities. A healthier workforce leads to enhanced productivity and higher morale, ultimately creating a high-performance and flexible organization. The Group places significant emphasis on the safety and health of all employees, providing comprehensive medical benefits and health insurance for all full-time employees, as well as employees' compensation insurance. In the event of accidents or injuries occurring on our premises, immediate notification is made to the management team, initiating an investigation to analyze the causes. First aid equipment and other necessary medical facilities are always also available at all Group workplaces.

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During the outbreak of COVID-19, the Group responded to the government's call to encourage employees to work-from-home in order to minimize the dangerous situations faced by employees. The Group also provides a safe, clean and healthy working environment for employees who are required to work in the office to protect them from occupational hazards. Measures include temperature checks for employees and visitors upon entry to the office area, regular disinfection of frequently touched surfaces, and mandatory use of surgical masks. In case of accidents, regarding of being minor or serious, employees are required by the company rules to notify their superiors immediately, who will take appropriate measures to ensure safety is not being compromised.

During the Reporting Period, the Group did not report any significant work-related fatalities or injuries. In addition, there were no significant fines or sanctions due to violations of relevant laws and regulations for the financial year ended 2023.

The total indicators regarding health and safety are as follows:

Indicators	July 2022 to June 2023	January 2021 to June 2022
Number of work-related fatalities	–	–
Rate of work-related fatalities ¹	–	–
Number of reportable injuries ²	–	–
Number of reportable occupational diseases	–	–
Number of lost days due to work injury ³	–	–

Notes:

1. The rate of work-related fatalities is calculated based on the number of injuries per 200,000 hours worked (employees working 40 hours per week for 50 weeks).
2. Reportable injuries refer to work-related accidents to employees resulting in incapacity for a period exceeding three days in Hong Kong.
3. Lost days refer to the days that could not be worked as a consequence of a worker being unable to perform their usual work because of an occupational accident or disease.

B3 DEVELOPMENT AND TRAINING

As a key component of human resources development, employee training plays an important role in improving employee quality, accelerating knowledge and technology accumulation, and enhancing enterprise cohesion, which is an effective way to enhance the competitiveness of the Group. The Group is concerned about the career planning and development of its employees and believes that providing good training can help improve their work quality and quickly integrate into the Group, help employees acquire professional knowledge to fulfil their responsibilities, and also help them develop lifelong careers. The Group also provides the required level of training in terms of plant operations and production know-how to employees, to ensure they can carry out job duties in a competent and capable manner.

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The Group provides basic business skills training to all new employees, as well as onboarding training on internal rules and regulations and training on corporate culture. The Group also encourages all employees to pursue further education and actively participate in job-related training organized by external organizations, and provides them with training allowances.

As of June 30, 2023, 47 employees have participated in training for a total of 68 hours. The training information by gender and employee category compared to last year are as follows:

Number of employees trained by the Group	July 2022 to June 2023	January 2021 to June 2022	Percentage Comparison¹
Total employees trained	47	56	(16%)
Percentage of employees trained	28%	36%	(7%)
By Gender			
Male	29	40	(28%)
Percentage of male trained	62%	71%	(10%)
Female	18	16	13%
Percentage of female trained	38%	29%	10%
By Employee Category			
Senior management	3	42	(93%)
Percentage of senior management trained	6%	75%	(69%)
Middle management	3	14	(79%)
Percentage of middle management trained	6%	25%	(19%)
Frontline and other employees	41	–	–
Percentage of frontline and other employees trained	87%	–	–

Note:

1. Percentage comparison = the percentage of training in 2023 – the percentage of training in 2022.

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Average training hours of the Group	July 2022 to June 2023	January 2021 to June 2022	Percentage Comparison
Total hours	68	246	(72%)
Average training hours per employee¹	0.5	1.6	(66%)
By Gender			
Male	0.5	1.9	(74%)
Female	0.6	0.5	18%
By Employee Category			
Senior management	5.0	9.7	(48%)
Middle management	4.3	0.6	622%
Frontline and other employees	0.3	–	–

Note:

1. The average training hours per employee is calculated by dividing the total number of training hours by the total number of employees as at 30 June 2023

Employees received on average of 0.4 training hours, representing a decrease of 74%, compared to the figure for the previous fiscal year. As employees gain more experience, the amount of training required decreases. This fiscal year, the frontline and other employees are newly included in the training program. The Group will pay more attention to the development of employees and provide more training opportunities in the future.

B4 LABOUR STANDARDS

The Group strictly abides by all laws and regulations related to the prohibition of child labour or forced labour, including but not limited to the *Hong Kong Employment Ordinance*, the *Minors Protection Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Provisions on the Prohibition of Using Child Labour*. The Group recognizes that child labour and forced labour are violations of basic human rights, and unequivocally opposes any form of such employment practices.

To prevent such incidents, the Group has implemented a series of measures. All personal documents provided by employees during the employment process, including copies of ID cards, passports, academic qualifications, certificates, letters of recommendation, performance evaluations and other documents, undergo thorough verification to ensure their authenticity and prevent document fraud. The human resources department diligently verifies the legality of the relevant documents and the authenticity of the holders.

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The Group also strives to fulfil its responsibilities to employees by respecting their legitimate rights and interests, improving the working environment, and caring for their physical and mental health in order to achieve mutual development of the Group and its employees. The Group adopts market practices as the minimum labour standards for labour protection and benefits. Information on employee vacations, holidays and benefits are also detailed in the Group's policies. In the event that an employee's personal rights are allegedly violated or infringed, the employee can report to the management through different communication channels. If there are cases of child labour and forced labour, the Group will immediately terminate the employment contracts with the relevant employees and hold the persons in charge of the relevant positions accountable.

During the Reporting Period, the Group did not find any significant violations of laws and regulations relating to the prohibition of child labour that had a significant impact on us, nor did it find any cases of forced or child labour.

B5 SUPPLY CHAIN MANAGEMENT

Supply chain management directly affects the reliability and stability of operations, as well as service quality. Therefore, the Group is committed to managing the risks of its supply chain through established procedures and conducting quality assurance checks on incoming key materials.

The Group reserves the right to inspect and examine raw materials before purchase, as stated in the procurement documents. Backgrounds and qualifications of three or more suppliers are evaluated in the procurement process, and inquiries and price comparisons are conducted among qualified suppliers. If multiple suppliers meet the requirements, priority should be given to companies with good reputations in environmental protection and social responsibility or those holding environmental certification.

The Group strictly adheres to laws and regulations and follows fair and just procurement procedures when dealing with suppliers. In addition to meeting quality and legal requirements, the Group expects suppliers to practice fair labour and fulfil their environmental responsibilities. Suppliers who cannot pass the evaluation will be removed from the supplier list. Furthermore, in the event of significant quality incidents related to products and services, the cooperation relationship with the relevant supplier will be terminated immediately and the supplier will be removed from the list of authorized suppliers.

Environmental, Social and Governance Report

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. The Group will reach a procurement agreement with suppliers in nearby regions to support the local economy. The number of suppliers is listed below:

Number of Suppliers by Region	July 2022 to June 2023	January 2021 to June 2022	Percentage Comparison
Hong Kong	–	–	–
Mainland China	482	461	5%

During the Reporting Period, none of the Group's suppliers had any significant actual or potential negative impact on business ethics, environmental protection, human rights, and labour practices, and there were no cases involving human rights violations.

B6 PRODUCT RESPONSIBILITY

Product Quality and Recall

Good customer relationships not only help the group to maintain customer loyalty, but also contribute to higher sales. Among them, providing high quality products and services is the key to maintaining good customer relationships. The Group is deeply aware of the importance of products and services, and therefore makes it a priority to win customers' trust and satisfaction in the course of business.

The Group mainly provides modified starch and biomedical refined oil products to Chinese customers. To ensure the safety, accuracy, and compliance of the products, the Group takes reasonable measures and precautions, guaranteeing that they meet all agreed requirements and industry standards. To guarantee the safety and quality of the 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 product production. The Group's sales staff maintains continuous communication with customers through regular emails, phone calls and social media to address customer complaints and provide effective feedback in a timely manner.

During the Reporting Period, the Group strictly complies with the *Product Quality Law of the PRC*, the *PRC Law on the Protection of Consumer Rights and Interests of Consumers* and other relevant laws and regulations. There were no complaints about defects in the products, technologies and services provided by the Group, and no recall of products due to health and safety issues. In addition, there was no report on material penalties for the Reporting Period.

Intellectual Property Rights

The Group integrates awareness of intellectual property protection into daily business operations. The technologies used in the production of modified starch and biomedical refined oil products are well-established and widely known. The Group sells the products under its own brands, and expects there are no intellectual property issues. The Group also relies on intellectual property laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property, requiring employees and customers to enter into written confidentiality agreements at the outset of their relationship with us.

Environmental, Social and Governance Report

During the Reporting Period, the Group was not involved in any pending or threatened significant legal proceedings, claims, disputes, arbitrations or administrative proceedings against any member of the Group or any of its directors in relation to any intellectual property rights. The Group adheres to the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Patents Ordinance (Cap. 514 of the Laws of Hong Kong)*, and the *Copyright Ordinance (Cap. 528 of the Laws of Hong Kong)*. The Group will continue to assess whether intellectual property rights are important to its business and stipulate measures to protect them where necessary.

Privacy and Consumer Data Protection

The Group is committed to protecting the personal information and privacy rights of customers, employees, suppliers and partners. The Group's confidentiality and privacy practices include, but are not limited to, the collection, processing, use and disclosure of personal data. The Group collects and utilizes personal information in a responsible and non-discriminatory manner, limiting the use of the information to consistent purposes as defined in the Personal Privacy Data Ordinance of the Law of Hong Kong. The Group has established a secure environment with data protection measures to store such data in internal systems. Only authorized employees have access to the data and the Group does not disclose the personal data of its employees, customers and suppliers without the permission of the relevant parties. Employees have been informed and are legally obligated, through their employment contracts, to adhere to the "Confidentiality Undertaking." No access or obtain confidential information without approval, and any disclosure or leakage in any form is strictly prohibited. Violations will result in legal consequences.

During the Reporting Period, the Group complied with the relevant laws and regulations relating to data protection, including but not limited to the *Personal Information Protection Law of the People's Republic of China* and the *Personal Privacy Data Ordinance of the Law of Hong Kong*. All businesses within the Group are required to comply with the privacy policy and maintain a zero tolerance for non-compliance. The Group did not record any material breach of consumer data and privacy during the Reporting Period.

Compliance with Relevant Laws and Regulations

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

B7 ANTI-CORRUPTION

A system with good ethical conduct and anti-corruption mechanisms is the cornerstone of the Group's sustainable and healthy development. The Group does not tolerate any corruption, fraud or other violations of professional ethics. In order to create a workplace free from corruption and bribery, the Group stated the anti-corruption terms and regulation in the Employment Contract with reference to the *Anti-Money Laundering Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Interim Provisions on Banning Commercial Bribery*, the *Organized and Serious Crimes Ordinance (Cap.455)*, the *United Nations (Anti-Terrorism Measures) Ordinance (Cap.575)* and the *Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap.615)*. The policy clearly states that any form of bribery and corruption is strictly prohibited and that all employees must comply with the relevant internal rules as well as the relevant laws and regulations of each country of operation. The Group regularly provides anti-corruption education to directors and employees through online broadcasting or circulation of electronic training materials, in order to raise their awareness of ethical conduct and corruption issues. During the Reporting Period, the Group allocated a cumulative total of 432 hours, equivalent to 48 hours of anti-corruption training per employee. A total of 3 directors and 6 employees participated in the training.

The Group encourages employees to and engage in behaviours that adhere to integrity and ethics, helping employees to correctly handle conflicts of interest and inappropriate temptations of interest that arise in their work. Meanwhile, the Group informs all stakeholders in society directly or indirectly related to the enterprise, including external stakeholders (customers, suppliers, regulatory agencies, and shareholders), in an appropriate form, of the information advocated by the enterprise for compliance with laws and integrity.

In addition, the Group has developed and regularly reviewed internal audit system to create a clean and honest business environment as a whole to prevent damage to the Group's reputation and interests. During the Reporting Period, neither the Group nor its employees were involved in any legal cases related to bribery, extortion, fraud, and money laundering, and no litigation related to corruption was filed against the Group or its employees. The Group has not found any significant non-compliance with relevant laws and regulations, which has a significant impact on the Group regarding bribery, extortion, fraud, and money laundering. Currently, the Group does not have whistle-blowing procedure in place. However, the Group intends to establish the relevant policy that safeguards employees who wish to report any concerns. There were no whistle-blowing reports submitted to the management during the Reporting Period. The management is actively encouraging employees to raise any concerns they may have.

B8 COMMUNITY INVESTMENT

The Group is well aware of our responsibility to community construction and development, and is committed to providing available resources to support the community. The Group actively seeks opportunities to cooperate with charitable organizations and participate in various charitable activities to attract social attention and encourage employees to further participate in community services.

The Group also advocates employees to participate in volunteer services to serve the community and to participate in other voluntary and charitable activities and provides them with paid leave as support and encouragement. 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. Looking ahead, the Group will continue to adhere to the principle of responsibility to our shareholders, investors, suppliers, customers, and the public, seek further development opportunities and maintain a harmonious relationship with our stakeholders.

Environmental, Social and Governance Report

HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management

Environmental, Social and Governance Report

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Use of Resources – Water Stewardship
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Stewardship
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Packaging
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Environmental, Social and Governance Report

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

Environmental, Social and Governance Report

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
Aspect B2: Health and Safety		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standard		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

Environmental, Social and Governance Report

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility – Complaints Handling Procedures
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Recall
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Data Privacy

Environmental, Social and Governance Report

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
Aspect B7: Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focused area	Community Investment

Independent Auditor's Report



CCTH CPA LIMITED 中正天恆會計師有限公司

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 64 to 133, which comprise the consolidated statement of financial position as at 30 June 2023, 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 year then ended, 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (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 (“HKSA”) 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\$15,433,000 for the year ended 30 June 2023 and as at 30 June 2023, the Group had net current liabilities of approximately HK\$29,657,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Management’s arrangements to address the going concern issue are also described in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

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.

Impairment assessments of trade receivables

Refer to note 19 to the consolidated financial statements.

We identified impairment assessment of trade receivables as a key audit matter due to the significance of the respective balances to the Group's consolidated statement of financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.

As at 30 June 2023, as set out in note 19 to the consolidated financial statements, the Group's net trade receivables amounting to HK\$37,135,000. As disclosed in note 5 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables individually based on internal credit rating. Internal credit rating has been given to each debtor after considering aging, historical observed default rates, repayment history and past due status of respective trade receivables. Estimated loss rates are based on probability of default and loss given default with reference to an external credit report and are adjusted for forward-looking information.

The impairment loss amount of the trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The Group recognised provision of expected credit loss allowances of HK\$7,823,000 and further additional amount of HK\$3,477,000 of impairment loss of trade receivables as at 30 June 2023.

Our procedures in relation to the impairment assessment of trade receivables included:

- Understanding key controls on how the management estimates the expected credit loss allowance;
- Challenging management's basis and judgement in determining credit loss allowance as at 30 June 2023, including their identification of credit-impaired trade receivables, the reasonableness of management's assignment of the internal credit rating to each debtor, and the basis of estimated loss rates applied;

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

- Testing the reasonableness of internal credit rating given to each debtor by checking trade receivables aging analysis as at 30 June 2023, historical observed default rates, repayment history and past due status of respective trade receivables by reviewing the relevant invoices, bank receipts and other supporting information, on a sample basis;
- Assessing the reasonableness of the estimated loss rates by comparing the probability of default and loss given default with reference to external credit report and reviewing the adjustment for forward-looking information, on a sample basis; and
- Evaluating the disclosures regarding the impairment assessment.

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

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 30 June 2022 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 14 November 2022.

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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the executive director in discharging his responsibility in this regard.

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 HKSAAs 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.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive director.
- conclude on the appropriateness of the executive director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited

Certified Public Accountants
Unit 1510-1517, 15/F., Tower 2
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, N.T.,
Hong Kong

David Yim Kai Pung

Audit Engagement Director
Practising Certificate Number P02324

Hong Kong, 29 September 2023

Consolidated Statement of Profit or Loss

For the year ended 30 June 2023

	<i>Notes</i>	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Revenue	7	773,654	1,007,186
Cost of sales		(723,241)	(917,001)
Gross profit		50,413	90,185
Other revenue and other gains and losses, net	8	354	(6,475)
Selling expenses		(14,792)	(22,678)
Administrative expenses		(21,082)	(39,316)
(Impairment losses) reversal of impairment losses on receivables, net		(3,477)	3,020
Finance costs	10	(17,114)	(20,959)
(Loss)profit before tax		(5,698)	3,777
Income tax expense	11	(4,364)	(5,167)
Loss for the year/period	12	(10,062)	(1,390)
(Loss)profit for the year/period attributable to:			
– Owners of the Company		(15,433)	(21,545)
– Non-controlling interests		5,371	20,155
		(10,062)	(1,390)
	15	HK cents	<i>HK cents (Restated)</i>
Loss per share			
– Basic and diluted		(9.1)	(12.9)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Loss for the year/period	(10,062)	(1,390)
Other comprehensive expense: <i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(7,324)	(1,863)
Other comprehensive expense, net of tax	(7,324)	(1,863)
Total comprehensive expense for the year/period	(17,386)	(3,253)
Total comprehensive (expense) income for the year/period attributable to:		
– Owners of the Company	(19,168)	(22,496)
– Non-controlling interests	1,782	19,243
	(17,386)	(3,253)

Consolidated Statement of Financial Position

At 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	16	82,289	67,110
Right-of-use assets	17	28,770	30,066
		111,059	97,176
Current assets			
Inventories	18	37,577	60,349
Trade receivables	19	37,135	48,486
Deposits, prepayments and other receivables	20	47,788	36,421
Tax refundable		360	–
Bank balances and cash	21	6,312	7,520
		129,172	152,776
Current liabilities			
Trade payables	22	63,945	44,393
Accruals and other payables	23	24,715	29,479
Contract liabilities	24	6,697	17,287
Borrowings	25	59,289	83,522
Tax payable		–	1,475
Lease liabilities	26	1,670	1,284
Loans from the ultimate holding company	28	2,513	825
		158,829	178,265
Net current liabilities		(29,657)	(25,489)
Total assets less current liabilities		81,402	71,687
Non-current liabilities			
Lease liabilities	26	1,134	–
Convertible bonds	27	69,729	65,650
		70,863	65,650
Net assets		10,539	6,037

Consolidated Statement of Financial Position

At 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Capital and reserves			
Share capital	29	42,869	42,019
Reserves	31	(77,874)	(79,744)
Capital deficiency attributable to owners of the Company		(35,005)	(37,725)
Non-controlling interests		45,544	43,762
Total equity		10,539	6,037

The consolidated financial statements on pages 66 to 133 were approved and authorised for issue by the board of directors on 29 September 2023 and are signed on its behalf by:

Lam Ka Chun
Director

Hong Ting
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Attributable to owners of the Company										Non-controlling interests	Total (deficit)/ equity
	Share capital	Convertible preference shares	Share premium	Other reserve	Convertible bonds reserve	Share option reserve	Statutory reserve	Translation reserve	Accumulated losses	Sub-total		
	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 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 expense 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)	-	-	-	-	-	-	-	-	-	-
Transfer 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
At 1 July 2022	42,019	-	209,982	6,906	31,309	39,864	8,989	1,645	(378,439)	(37,725)	43,762	6,037
(Loss) profit for the year	-	-	-	-	-	-	-	-	(15,433)	(15,433)	5,371	(10,062)
Other comprehensive expense for the year	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	(3,735)	-	(3,735)	(3,589)	(7,324)
Total comprehensive (expense) income for the year	-	-	-	-	-	-	-	(3,735)	(15,433)	(19,168)	1,782	(17,386)
Issuance of convertible bonds	-	-	-	-	2,165	-	-	-	2,848	5,013	-	5,013
Effect on alteration of terms of convertible bonds	-	-	-	-	(23,020)	-	-	-	39,361	16,341	-	16,341
Conversion of convertible bonds	850	-	-	-	(88)	-	-	-	(228)	534	-	534
Transfer to statutory reserve	-	-	-	-	-	-	1,096	-	(1,096)	-	-	-
At 30 June 2023	42,869	-	209,982	6,906	10,366	39,864	10,085	(2,090)	(352,987)	(35,005)	45,544	10,539

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before tax	(5,698)	3,777
Adjustments for:		
Depreciation on property, plant and equipment	9,522	9,668
Depreciation on right-of-use assets	4,540	6,530
Finance costs	17,114	20,959
Gain on disposal of property, plant and equipment	-	(39)
Impairment loss (reversal of impairment losses) on receivables, net	3,477	(3,020)
Interest income	(38)	(35)
Loss on issuance of convertible bonds	-	1,344
Loss on modification of convertible bonds	-	7,018
Operating profit before working capital changes	28,917	46,202
Change in trade receivables	7,874	(35,721)
Change in deposits, prepayments and other receivables	(11,367)	(13,668)
Change in inventories	22,772	(8,058)
Change in contract liabilities	(10,590)	14,027
Change in other payable and accruals	(2,028)	4,928
Change in trade payables	19,552	1,202
Cash generated from operations	55,130	8,912
Interest paid	-	(128)
Income tax paid	(6,199)	(4,005)
Net cash generated from operating activities	48,931	4,779
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	38	35
Proceeds from disposal of property, plant and equipment	-	101
Purchase of property, plant and equipment	(28,178)	(16,788)
Net cash used in investing activities	(28,140)	(16,652)

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	–	75,364
Increase in loans from the ultimate holding company	1,558	5,619
Interest paid	(3,556)	(4,424)
Repayment of borrowings	(19,457)	(63,909)
	<u>(21,455)</u>	<u>12,650</u>
Net cash (used in) generated from financing activities	(21,455)	12,650
Net (decrease) increase in cash and cash equivalents	(664)	777
Effect of foreign exchange rate changes	(544)	1,297
Cash and cash equivalents at beginning of year/period	7,520	5,446
	<u>6,312</u>	<u>7,520</u>
Cash and cash equivalents at end of year/period	6,312	7,520
Analysis of cash and cash equivalents		
Bank and cash balances	6,312	7,520

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 Rooms 4001-2, 40th Floor, China Resources Building, 26 Harbour Road, Wanchai, 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 “Directors”), as at 30 June 2023, Chinese Success Limited (“Chinese Success”), 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 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 comparative consolidated financial statements cover an eighteen months period ended 30 June 2022 and the current consolidated financial statements cover a twelve months year ended 30 June 2023. The comparative amounts are therefore not entirely comparable.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$15,433,000 for the Year and as at 30 June 2023, the Group had net current liabilities of approximately HK\$29,657,000. 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 on a going concern basis based on the assumptions and measures that:

- (a) As at 30 June 2023, the Company has drawn down loan of approximately HK\$2,513,000 and undrawn loan facilities of approximately HK\$67,487,000 granted by Wai Chun IF, its ultimate holding company;
- (b) In addition to the loan facilities granted by Wai Chun IF as stated above, Mr. Lam has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving these consolidated financial statements;
- (c) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and
- (d) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve-month period from the date of this announcement after taking into account the impact of above measures, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this announcement, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 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 July 2022. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 trade and other receivables

The Group makes impairment loss for trade and other receivables 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 impairment loss for trade and other receivables 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 impairment loss for trade and other receivables 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 2023, no deferred tax asset has been recognised on the tax losses of approximately HK\$128,944,000 (2022: approximately HK\$128,944,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 receivables due from the Group's three largest customers in aggregate to the Group's total trade receivables net of expected credit losses is 48% (2022: 57%) as at 30 June 2023. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 100% (2022: approximately 100% in the PRC) of the trade receivables as at 30 June 2023. They have good historical repayment records and no default in payment.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amounts <i>HK\$'000</i>
30 June 2023						
Trade payables		63,945	-	-	63,945	63,945
Accruals and other payables		24,715	-	-	24,715	24,715
Borrowings	5.00%	63,958	-	-	63,958	59,289
Convertible bonds	22.00%	-	82,793	14,000	96,793	69,729
Loans from the ultimate holding company	6.25%	2,513	-	-	2,513	2,513
		155,131	82,793	14,000	251,924	220,191
	Weighted average effective interest rate	On demand or less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amounts <i>HK\$'000</i>
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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 2023, 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\$415,000 (2022: HK\$552,000 lower) lower, arising mainly as a result of lower interest expense on variable rate borrowings.

At 30 June 2023, 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\$415,000 (2022: HK\$552,000 higher) higher, arising mainly as a result of higher interest expense on variable rate borrowings.

(e) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	<u>48,962</u>	<u>58,979</u>
Financial liabilities:		
Financial liabilities at amortised cost	<u>220,191</u>	<u>220,696</u>

(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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7. REVENUE

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Revenue from manufacturing and sale of modified starch and other biochemical products	773,654	1,007,186

Disaggregation of revenue from contracts with customers

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

8. OTHER REVENUE AND OTHER GAINS AND LOSSES, NET

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Bank interest income	38	35
Gain on disposal of property, plant and equipment	–	39
Government subsidies (<i>Note</i>)	–	2,036
Loss on issuance of convertible bonds	–	(1,344)
Loss on modification of convertible bonds	–	(7,018)
Others	316	(223)
Total	354	(6,475)

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

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
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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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

9. SEGMENT INFORMATION (continued)

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

Year ended 30 June 2023

	Modified starch and other biochemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	773,654	773,654
Segment profit	<u>18,067</u>	18,067
Other revenue and other gains and losses, net		354
Central administration costs		(7,005)
Finance costs		<u>(17,114)</u>
Loss before tax		(5,698)
Income tax expense		<u>(4,364)</u>
Consolidated loss for the year		<u>(10,062)</u>
At 30 June 2023		
Assets		
Segment assets	235,807	235,807
Unallocated assets		<u>4,424</u>
Consolidated total assets		<u>240,231</u>
Liabilities		
Segment liabilities	(142,861)	(142,861)
Unallocated liabilities		<u>(86,831)</u>
Consolidated total liabilities		<u>(229,692)</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

9. SEGMENT INFORMATION (continued)

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

Eighteen months period 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	<u>49,280</u>	49,280
Other revenue and other gains and losses, net		(6,475)
Central administration costs		(18,069)
Finance costs		<u>(20,959)</u>
Profit before tax		3,777
Income tax expense		<u>(5,167)</u>
Consolidated loss for the period		<u>(1,390)</u>
At 30 June 2022		
Assets		
Segment assets	247,881	247,811
Unallocated assets		<u>2,071</u>
Consolidated total assets		<u>249,952</u>
Liabilities		
Segment liabilities	(159,747)	(159,747)
Unallocated liabilities		<u>(84,168)</u>
Consolidated total liabilities		<u>(243,915)</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

Year ended 30 June 2023

	Modified starch and other biochemical products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to property, plant and equipment	28,178	–	28,178
Additions to right-of-use assets	–	3,244	3,244
Depreciation on property, plant and equipment	9,515	7	9,522
Depreciation on right-of-use assets	687	3,853	4,540
Impairment loss of receivables, net	3,477	–	3,477

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

9. SEGMENT INFORMATION (continued)

Other segment information (continued)

Eighteen months period ended 30 June 2022

	Modified starch and other biochemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

9. SEGMENT INFORMATION (continued)

Geographical information

For the year ended 30 June 2023 and the eighteen months ended 30 June 2022, 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	
	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	–	–	2,847	1,315
PRC	773,654	1,007,186	108,212	95,861
	773,654	1,007,186	111,059	97,176

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:

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Customer A	99,084	156,419

Note:

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

10. FINANCE COSTS

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Interest on bank loans	3,076	4,645
Interest on loans from the ultimate holding company	130	238
Interest on loan from the controlling shareholder	65	1,129
Interest on loans from independent third parties	415	388
Interest on bills payables	–	128
Interest on convertible bonds	13,388	14,047
Interest on lease liabilities	40	384
Total	17,114	20,959

11. INCOME TAX EXPENSE

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Current tax – PRC Enterprise Income Tax		
Provision for the year/period	4,364	3,797
Under-provision in prior period	–	1,370
	4,364	5,167

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 year ended 30 June 2023 and the eighteen months ended 30 June 2022.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

11. INCOME TAX EXPENSE (continued)

PRC subsidiaries are subject to PRC Enterprise Income Tax (“EIT”) at 25% for the year ended 30 June 2023 and the eighteen months ended 30 June 2022, except 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 (loss) profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
(Loss) profit before tax	(5,698)	3,777
Tax at the income tax rate of 16.5% (2022: 16.5%)	(940)	623
Tax effect of income that is not taxable	(134)	(415)
Tax effect of expenses that are not deductible	4,096	8,200
Utilisation of unrecognised tax losses	–	(1,440)
Effect of different tax rates of subsidiaries	1,489	1,520
Effect of tax exemption granted to a PRC subsidiary	(147)	(4,691)
Under-provision in prior year	–	1,370
Income tax expense	4,364	5,167

As at 30 June 2023, the Group has unused tax losses of approximately HK\$128,944,000 (2022: approximately HK\$128,944,000) 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 year ended 30 June 2023 and the eighteen months ended 30 June 2022, 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. There is no unused tax losses of these PRC subsidiaries as at 30 June 2023 (2022: HK\$Nil), which was included in Group’s unused tax losses that are available within a maximum period of five years in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

12. LOSS FOR THE YEAR/PERIOD

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

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Auditor's remuneration	400	470
Cost of inventories recognised as expenses	723,241	917,001
Impairment losses (reversal of impairment losses) on receivables, net	3,477	(3,020)
Depreciation on property, plant and equipment	9,522	9,668
Depreciation on right-of-use assets	4,540	6,530
Gain on disposal of property, plant and equipment	-	(39)
Staff costs (including directors' emoluments)		
Salaries, bonus and allowances	13,312	26,495
Retirement benefits scheme contributions (<i>Note</i>)	1,470	3,492
	14,782	29,987

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

For the year ended 30 June 2023	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Lam Ching Kui (<i>Chief Executive Officer</i>) (i)	-	110	1	111
Chan Cheuk Ho (ii)	-	394	13	407
Lam Ka Chun (iii)	-	716	11	727
Independent Non-Executive Directors				
Hau Pak Man (iv)	33	-	-	33
Wan Bo (vi)	120	-	-	120
Chan Cheuk Ho (ii)	5	-	-	5
Hung Hoi Ming Raymond (v)	57	-	-	57
Hong Ting (vii)	89	-	-	89
Total for 2023	304	1,220	25	1,549
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 (<i>Chief Executive Officer</i>) (i)	-	4,170	27	4,197
Independent Non-Executive Directors				
Hau Pak Man (iv)	180	-	-	180
Wan Bo (vi)	180	-	-	180
Chan Cheuk Ho (ii)	180	-	-	180
Total for eighteen months ended 30 June 2022	540	4,170	27	4,737

Notes:

- (i) Resigned on 18 July 2022.
- (ii) Appointed on 6 November 2020 as independent non-executive director, redesignated from independent non-executive director to executive director on 18 July 2022, resigned executive director on 13 March 2023.
- (iii) Appointed on 13 March 2023.
- (iv) Resigned on 10 October 2022.
- (v) Appointed on 9 January 2023 and resigned on 9 August 2023.
- (vi) Appointed on 3 November 2020.
- (vii) Appointed on 5 October 2022.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The five highest paid individuals in the Group during the year/period included one (2022: one) director, details of whose remuneration are reflected in the analysis presented above. The emoluments of the remaining four (2022: four) individual are set out below:

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Salaries and allowances	1,430	3,818
Retirement benefit scheme contributions	60	167
Total	1,490	3,985

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

	Number of individuals	
	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Nil to HK\$1,000,000	4	2
HK\$1,000,001 to HK\$1,500,000	–	2

During the year/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.

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For the year ended 30 June 2023

14. DIVIDENDS

The directors of the Company did not to recommend the payment of any dividend for the year ended 30 June 2023 and the eighteen months ended 30 June 2022.

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year ended 30 June 2023 attributable to owners of the Company of approximately HK\$15,433,000 (for the eighteen months period ended 30 June 2022: loss of approximately HK\$21,545,000) and the weighted average number of ordinary shares of 168,924,125 (for the eighteen months period ended 30 June 2022: 167,618,648 (restated)) in issue during the Year, as adjusted to reflect the share consolidation in March 2023.

(b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds for the year ended 30 June 2023 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's outstanding share options and convertible preference shares in the year ended 30 June 2023 and the eighteen months period ended 30 June 2022, accordingly, the diluted loss per share is same as the basic loss per share in the year ended 30 June 2023 and the eighteen months period ended 30 June 2022.

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For the year ended 30 June 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Leasehold improvements, furniture and fixtures <i>HK\$'000</i>	Plant, machinery and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 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 and 1 July 2022	26,658	2,885	68,456	1,484	9,173	108,656
Additions	2,235	-	2,589	-	23,354	28,178
Transfer	-	-	4,130	-	(4,130)	-
Exchange differences	(2,155)	-	(5,559)	(67)	(1,418)	(9,199)
At 30 June 2023	26,738	2,885	69,616	1,417	26,979	127,635
Accumulated depreciation and impairment						
At 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 and 1 July 2022	10,863	2,885	26,698	1,100	-	41,546
Charge for the year	1,602	-	7,776	144	-	9,522
Exchange differences	(906)	-	(4,774)	(42)	-	(5,722)
At 30 June 2023	11,559	2,885	29,700	1,202	-	45,346
Carrying amount						
At 30 June 2023	15,179	-	39,916	215	26,979	82,289
At 30 June 2022	15,795	-	41,758	384	9,173	67,110

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

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For the year ended 30 June 2023

17. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 30 June:		
Right-of-use assets		
– Land use rights	25,940	28,771
– Land and buildings	2,830	1,295
	28,770	30,066

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
– Less than 1 year	1,734	1,300
– Between 1 and 2 years	1,147	–
	2,881	1,300
Depreciation charge of right-of-use assets		
– Land use rights	687	1,035
– Land and buildings	3,853	5,495
	4,540	6,530
Lease interests	40	384
Addition to the right-of-use asset	3,244	–

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For the year ended 30 June 2023

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\$20,493,000 (2022: HK\$22,218,000) have been pledged to secure the bank loans and general banking facilities granted to the Group.

18. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	11,780	7,640
Finished goods	25,797	52,709
Total	37,577	60,349

19. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	44,958	53,371
Less: Provision for loss allowance	(7,823)	(4,885)
Carrying amount	37,135	48,486

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

19. TRADE 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 2023, 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 the provision for impairment directly. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	22,722	23,250
31-60 days	10,722	9,295
61-90 days	1,354	8,198
91-180 days	460	7,714
Over 180 days	1,877	29
Total	37,135	48,486

As at 30 June 2023, the trade receivables of approximately HK\$35,258,000 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 2023, there were trade receivables of approximately HK\$Nil (2022: HK\$11,713,000) pledged to secure certain bank borrowings.

Reconciliation of loss allowance for trade receivables:

	Year ended 30 June 2023 <i>HK\$'000</i>	Eighteen months period ended 30 June 2022 <i>HK\$'000</i>
At 1 July/1 January	4,885	3,909
Increase in loss allowance for the year/period	4,209	1,004
Reversal of allowance	(1,271)	(28)
At 30 June	7,823	4,885

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For the year ended 30 June 2023

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments for acquiring inventories	42,273	33,353
Other prepayments	–	95
Other receivables	4,886	2,223
Rental and other deposits	629	750
Total	47,788	36,421

21. BANK BALANCE AND CASH

As at 30 June 2023, the bank and cash balances of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$6,109,000 (2022: HK\$7,319,000). 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	28,923	17,966
31–60 days	32,534	21,535
61–90 days	–	2,073
91–180 days	198	459
Over 180 days	2,290	2,360
Total	63,945	44,393

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

23. ACCRUALS AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Payroll and welfare payables	2,201	133
Accrued operating expenses	15,194	9,432
Other tax payables	3,152	3,173
Others	4,168	16,741
Total	24,715	29,479

24. CONTRACT LIABILITIES

	As at 30 June 2023 <i>HK\$'000</i>	As at 30 June 2022 <i>HK\$'000</i>	As at 1 January 2021 <i>HK\$'000</i>
Contract liabilities – advance from customers	6,697	17,287	3,260

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Year/period ended 30 June		
– 2023	6,697	–
– 2022	–	17,287
	6,697	17,287
Revenue recognised in the year/period that was included in contract liabilities at beginning of year/period	17,287	3,260

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

25. BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Bank loans (a)	56,719	73,208
Loan from the controlling shareholder (b)	–	6,081
Loans from independent third parties (b)	2,570	4,233
Total	59,289	83,522

Notes:

- (a) The bank loans of approximately HK\$56,719,000 (2022: 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\$20,493,000 (2022: HK\$22,218,000). At 30 June 2023 and 2022, 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% (2022: 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% (2022: 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Within one year	1,734	1,300	1,670	1,284
In the second to fifth years, inclusive	1,147	–	1,134	–
Less: Future finance charges	2,881 (77)	1,300 (16)	2,804 –	1,284 –
Present value of lease liabilities	2,804	1,284	2,804	1,284
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,670)	(1,284)
Amount due for settlement after 12 months			1,134	–

At 30 June 2023, 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.

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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 2022”):

- (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.

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27. CONVERTIBLE BONDS (continued)

Convertible bond of HK\$67,000,000 (the “CB1”) (continued)

On 22 December 2022, the Company and CBI bondholders have agreed to amend the CBI terms as follows, which took effect on 18 January 2023 (“CBI Amendments 2023”).

- (i) the conversion price be reduced from HK\$0.5 (after share consolidation on 14 March 2023) to HK\$0.25 per conversion share;
- (ii) the coupon rate be reduced from 2% per annum to 0% annum;
- (iii) the CB1 be redeemed at 95% of its principal amount at maturity;
- (iv) the Maturity Date be changed from the original maturity date (i.e. 27 November 2023) to 18 January 2023; and
- (v) 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.

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

	Liabilities component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 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 and 1 July 2022	52,293	21,330	73,623
Effect of modification of CB1 terms	(14,368)	(15,226)	(29,594)
Imputed interest expenses	9,897	–	9,897
Coupon payable	(957)	–	(957)
At 30 June 2023	<u>46,865</u>	<u>6,104</u>	<u>52,969</u>

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27. CONVERTIBLE BONDS (continued)

Convertible bond of HK\$67,000,000 (the “CB1”) (continued)

The interest charged for the period is calculated by applying an effective interest rate of 21.74% (2022: 20.21%) to the liability component for the period since CB1 Amendments 2023 (2022: since the CB1 Amendments 2022).

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 Chinese Success Limited, which is 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.

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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.

On 22 December 2022, the Company and CB2 bondholders have agreed to amend the CB2 terms as follows, which took effect on 18 January 2025 (“CB2 Amendments”):

- (i) the conversion price be reduced from HK\$0.5 (after share consolidation on 14 March 2023) per conversion share to HK\$0.25 per conversion share;
- (ii) the coupon rate be reduced from 2% per annum to 0% annum;
- (iii) the CB2 be redeemed at 95% of its principal amount at maturity; and
- (iv) the conversion rights attached to the CB2 be only exercised on the condition that any conversion of the CB2 does not: (aa) trigger a mandatory general offer obligation on the CB2 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.

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27. CONVERTIBLE BONDS (continued)

Convertible bond of HK\$21,000,000 (the “CB2”) (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 <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>1,344</u>	<u>–</u>	<u>1,344</u>
At 30 June 2022 and 1 July 2022	<u>13,357</u>	<u>9,979</u>	<u>23,336</u>
Effect of modification of CB2 terms	(1,972)	(7,794)	(9,766)
Imputed interest expenses	2,919	–	2,919
Coupon payable	(300)	–	(300)
Conversion	<u>(532)</u>	<u>(88)</u>	<u>(620)</u>
At 30 June 2023	<u>13,472</u>	<u>2,097</u>	<u>15,569</u>

The interest charged for the period is calculated by applying an effective interest rate of 25.37% (2022: 22.43%) to the liability component for the period since CB2 Amendments (2022: 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 Amendments.

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.

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27. CONVERTIBLE BONDS (continued)

Convertible bond of HK\$14,000,000 (the “CB3”)

On 14 March 2023 (“Issue Date of CB3”), the Company issued an unlisted, unguaranteed and unsecured convertible bond (the “CB3”) with principal amount of HK\$14,000,000, to Chinese Success Limited, which is the immediate holding company of the Company.

The CB3 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 14 March 2023 up to and including 14 March 2026 at an initial conversion price of HK\$0.025 per share or conditional upon the share consolidation being effect, HK\$0.25 per conversion subject to adjustments upon occurrence of certain events.

Should the CB3 has not been converted, it will be redeemed at par on 14 March 2026 (“Maturity Date of CB3”).

The CB3 has free on interest.

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 CB3 an amount equivalent to 100% of the principal amount of such outstanding CB3 at any time after the Issue Date of CB3 up to and including the date falling fourteen days immediately before the Maturity Date of CB3.

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

	Liabilities component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issuance on 14 March 2023	11,835	2,165	14,000
Imputed interest expenses	405	–	405
Gain on issuance of CB3	(2,848)	–	(2,848)
At 30 June 2023	<u>9,392</u>	<u>2,165</u>	<u>11,557</u>

The interest charged for the year is calculated by applying an effective interest rate of 15.91% to the liability component for the 36 month period since the CB3 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 CB3.

The consideration of CB3 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.

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28. LOANS FROM THE ULTIMATE HOLDING COMPANY

The loans are unsecured, bearing interest at 6.25% and repayable on demand as at 30 June 2023 and 30 June 2022.

29. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Amount equivalent to HK\$'000
Authorised:		
Share of the Company HK\$0.25 (At 1 January 2021, 30 June 2022 and 1 July 2022: HK\$0.025) each	4,000,000,000	100,000
At 1 January 2021, 30 June 2022 and 1 July 2022 Share consolidation (<i>Note b</i>)	<u>(3,600,000,000)</u>	<u>–</u>
At 30 June 2023	<u>400,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Shares of the Company HK\$0.25 (At 1 January 2021, 30 June 2022 and 1 July 2022: HK\$0.025) each	1,659,068,537	41,477
At 1 January 2021	21,696,000	542
Conversion of convertible preference shares (<i>Note a</i>)	<u>–</u>	<u>–</u>
At 30 June 2022 and 1 July 2022	1,680,764,537	42,019
Conversion of convertible bonds (<i>Note c</i>)	3,400,000	850
Share consolidation (<i>Note b</i>)	<u>(1,512,688,084)</u>	<u>–</u>
At 30 June 2023	<u>171,476,453</u>	<u>42,869</u>

Notes:

- (a) During the eighteen months period 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.
- (b) At the extraordinary general meeting of the Company held on 10 March 2023, an ordinary resolution was duly passed under which every 10 existing issued and unissued shares of par value of HK\$0.025 each in the share capital of the Company was consolidated into 1 share of par value of HK\$0.25 each (the "Share Consolidation") and the Share Consolidation has become effective on 14 March 2023.

The authorised share capital of ordinary shares of the Company was HK\$100,000,000 divided into 4,000,000,000 existing ordinary shares with a par value of HK\$0.025 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 400,000,000 consolidated ordinary shares with a par value of HK\$0.25 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 4,000,000,000 ordinary shares to 400,000,000 ordinary shares and the total number of issued ordinary shares decreased from 1,680,764,537 ordinary shares to 168,076,453 ordinary shares, after the Share Consolidation.

- (c) On 31 March 2023, Chinese Success converted HK\$850,000 convertible bonds into 3,400,000 ordinary shares of the Company by crediting the share capital.

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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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total debt	134,335	151,281
Less: Cash and cash equivalents	(6,312)	(7,520)
Net debt	128,023	143,761
Total assets	240,231	249,952
Net debt to total assets	53%	58%

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

30. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of shares	Amount equivalent to <i>HK\$'000</i>
Authorised:		
At 1 January 2021, 30 June 2022 and 30 June 2023	<u>81,600,000</u>	<u>2,040</u>
Issued and fully paid:		
Shares of the Company HK\$0.025 each		
At 1 January 2021	21,696,000	542
Conversion of convertible preference shares	<u>(21,696,000)</u>	<u>(542)</u>
At 30 June 2022 and 30 June 2023	<u>–</u>	<u>–</u>

Note:

- (a) The convertible preference shares are non-redeemable, carry no voting right and each of the convertible preference share is convertible into one ordinary share at any time before the fifth anniversary of the issue date of convertible shares, i.e. 8 April 2016. The convertible preference shareholder is entitled to receive dividend pari passu with ordinary shareholders on an as converted basis.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
Lapse of share options	-	-	-	(23,228)	23,228	-
At 30 June 2022 and 1 July 2022	209,982	62,934	31,309	39,864	(446,566)	(102,477)
Total comprehensive expense for the year	-	-	-	-	(27,485)	(27,485)
Issuance of convertible bonds	-	-	2,165	-	2,848	5,013
Effect on alteration of terms of convertible bonds	-	-	(23,020)	-	39,363	16,343
Conversion	-	-	(88)	-	(228)	(316)
At 30 June 2023	209,982	62,934	10,366	39,864	(432,068)	(108,922)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets		
Interests in subsidiaries	368	368
Right-of-use assets	2,830	1,295
	<u>3,198</u>	<u>1,663</u>
Current assets		
Deposits, prepayments and other receivables	780	767
Due from subsidiaries	21,328	20,987
Bank balances and cash	5	8
	<u>22,113</u>	<u>21,762</u>
Current liabilities		
Accruals and other payables	6,874	6,330
Borrowings	9,444	9,794
Lease liabilities	1,670	1,284
Loans from the ultimate holding company	2,513	825
	<u>20,501</u>	<u>18,233</u>
Net current assets	<u>1,612</u>	<u>3,529</u>
Total assets less current liabilities	<u>4,810</u>	<u>5,192</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

	2023 HK\$'000	2022 HK\$'000
Non-current liabilities		
Lease liabilities	1,134	–
Convertible bonds	69,729	65,650
	<u>70,863</u>	<u>65,650</u>
NET LIABILITIES	<u>(66,053)</u>	<u>(60,458)</u>
Capital and reserves		
Share capital – ordinary shares	42,869	42,019
Reserves	<u>(108,922)</u>	<u>(102,477)</u>
CAPITAL DEFICIENCY	<u>(66,053)</u>	<u>(60,458)</u>

The Company's statement of financial position was approved and authorised for issue by the board of directors on 29 September 2023 and is signed on its behalf by:

Lam Ka Chun
Director

Hong Ting
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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

33. SHARE-BASED PAYMENTS (continued)

Share Option Scheme (continued)

Movements of the Company's share options held by consultants and an employee during the year ended 30 June 2023 is set out below:

Category of participants	As at 1 July 2022				As at 30 June 2023		Date of grant	Exercise period	Exercise price HK\$
	Granted	Exercised	Expired						
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	<u>89,582,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,582,907</u>				

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. With the share consolidation effective on 14 March 2023, the options will entitle the grantees to subscribe for a total of 89,582,907 new shares of HK\$0.25 each at an exercise price of HK\$0.720 per share.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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	16 July 2018
Exercise price (HK\$)	0.720
Share price at the date of grant (HK\$)	0.720
Dividend yield (%)	–
Expected volatility (%)	90.196
Risk-free interest rate (%)	2.094
Expected life of options (years)	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 year ended 30 June 2023, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK\$3,244,000 and HK\$3,244,000 as recognised at the lease commencement date respectively.

During the year ended 30 June 2023, accrued interests of approximately HK\$3,300,000, loan from a significant shareholder of approximately HK\$9,000,000 and loan from the Bondholder of approximately HK\$1,700,000, with the total amount of HK\$14,000,000 were 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 the offset confirmation letters entered between the Company and a significant shareholder and the Bondholder.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

(a) Major non-cash transactions (continued)

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.

(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 <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 and 1 July 2022	<u>825</u>	<u>83,522</u>	<u>84,347</u>
Change in cash flow	1,558	(19,457)	(17,899)
Finance costs	130	3,556	3,686
Interest paid	–	(3,556)	(3,556)
Exchange differences	–	(4,776)	(4,776)
At 30 June 2023	<u>2,513</u>	<u>59,289</u>	<u>61,802</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 year/period:

	Year ended 30 June 2023 HK\$'000	Eighteen months period ended 30 June 2022 HK\$'000
Interest expenses to the ultimate holding company	130	238
Salaries to the spouse of a director who has control over the Group	156	1,463
Salaries to a son of a director who has control over the Group	481	788

During the year ended 30 June 2023, CBI of face value of HK\$67,000,000 was transferred and respective bond certificate was issued to Mr. Lam, the ultimate controlling party of the Company; CB3 of face value of HK\$14,000,000 was issued to Chinese Success Limited, the immediate holding Company of the 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 year/period ended:

	2023 HK\$'000	2022 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 year/period are set out in note 13.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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
			2023	2022	
Wai Chun Industrial (HK) Limited	Hong Kong	1,000 ordinary of HK\$1 each	100% (Indirect)	100% (Indirect)	Investment holding
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

Note:

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 2023	30 June 2022
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%
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	108,212	95,861
Current assets	126,712	161,194
Current liabilities	(141,978)	(167,745)
Net assets	92,946	89,310
Accumulated NCI	45,544	43,762
	30 June 2023	30 June 2022
Revenue	773,654	1,007,186
Profit	10,960	41,134
Total comprehensive income	7,225	39,271
Profit allocated to NCI	5,371	20,155
Net cash generated from (used in) operating activities	48,151	(5,298)
Net cash used in investing activities	(26,840)	(18,049)
Net cash (used in) generated from financing activities	(19,565)	7,031
Net increase (decrease) in cash and cash equivalents	1,746	(16,316)

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 September 2023.

Five Year Financial Summary

RESULTS

	1 July 2022 to 30 June 2023 HK\$'000	1 January 2021 to 30 June 2022 HK\$'000	Year ended 31 December		
			2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	773,654	1,007,186	567,553	579,231	480,852
(Loss) profit before tax	(5,698)	3,777	1,611	9,063	(53,005)
Income tax expense	(4,364)	(5,167)	(616)	(75)	(149)
(Loss) profit for the period/ year	(10,062)	(1,390)	995	8,988	(53,154)
(Loss) profit for the period/ year attributable to:					
– Owners of the Company	(15,433)	(21,545)	(8,149)	(3,159)	(53,617)
– Non-controlling interests	5,371	20,155	9,144	12,147	463
	(10,062)	(1,390)	995	8,988	(53,154)

ASSETS AND LIABILITIES

	At 30 June 2023 HK\$'000	At 30 June 2022 HK\$'000	At 31 December		
			2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Total assets	240,231	249,952	188,321	176,177	146,735
Total liabilities	(229,692)	(243,915)	(201,290)	(212,689)	(192,018)
Total equity (deficit)	10,539	6,037	(12,969)	(36,512)	(45,283)
Capital deficiency attributable to owners of the Company	(35,005)	(37,725)	(37,488)	(50,316)	(47,045)
Non-controlling interests	45,544	43,762	24,519	13,804	1,762
	10,539	6,037	(12,969)	(36,512)	(45,283)