WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED

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

INTERIM REPORT 2010

Contents

Corporate Information

EXECUTIVE DIRECTORS

Lam Ching Kui *(Chairman)*
Guo Qing Hua *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Chun Wai, Tony
Shaw Lut, Leonardo
Wong Wai Man, Raymond

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Guo Qing Hua

COMPANY SECRETARY

Yu Man To, Gerald
B.Bus, MBA, CPA (Aust.), FCPA

AUDIT COMMITTEE

Chan Chun Wai, Tony *(Chairman)*
Shaw Lut, Leonardo
Wong Wai Man, Raymond

REMUNERATION COMMITTEE

Wong Wai Man, Raymond *(Chairman)*
Chan Chun Wai, Tony
Shaw Lut, Leonardo
Guo Qing Hua

REGISTERED OFFICE

Scotia Centre
4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 4917-4932
49/F., Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

AUDITOR

HLM & Co.
Certified Public Accountants
Room 305
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

REGISTRAR IN HONG KONG

Union Registrars Limited
18th Floor
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

0660

COMPANY WEBSITE

www.0660.hk

Financial Review

Financial Performance

For the six months ended 30 June 2010, the Group recorded a turnover of HK$133,281,000, representing a significant increase of over 24 times when compared to the same period last year. The increase in turnover is attributable to an increase in demand for shoes from overseas consumers, which was adversely impacted by the financial tsunami in 2009 and from the newly acquired biochemical business, the acquisition of which was completed at the beginning of the year. The Group recorded a gross profit and gross profit margin of HK$17,123,000 and 12.8% respectively, an increase from a gross profit and gross profit margin of HK$136,000 and 2.5% respectively recorded in 2009. Operating expenses remained similar to that recorded in 2009.

During the period, the Group recorded a loss on disposal of held-for-trading investments of HK$2,054,000.

Loss attributable to shareholders of the Company reduced significantly from HK$11,577,000 in 2009 to a profit of HK$31,906,000 this period.

Financial Resources and Position

As at 30 June 2010, total borrowings amounted to HK$32,169,000, representing an increase of 100% compared to 31 December 2009. The increase is mainly attributable to the loan borrowed by the acquired subsidiaries during the period which bear interest at floating rates. The loan is secured by properties which are owned by a minority shareholder of a subsidiary.

Cash and cash equivalents amounted to HK$37,969,000 as at 30 June 2010 which are mostly denominated in Hong Kong Dollars, Renminbi and United States Dollars. The Group is not exposed to any material foreign exchange risks.

The Group had no assets pledged or any material contingent liabilities as at 30 June 2010.

The Group ended the period with a current ratio of 1.4 times and the Group is at a net cash position as at 30 June 2010.

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2010.

Open Offer

In February 2010, the Company completed an open offer with an assured allotment of one offer share at HK$0.03 per share for every 5 existing shares held. The Company issued 2,575,780,896 shares under the open offer raising net proceeds of approximately HK$76.2 million. The net proceeds were used to: (i) pay the consideration for the acquisition of the 51% equity interest in Weifang Century-light (details of which can be found in the business review section of this interim report) amounting to approximately HK$11.7 million; (ii) partially reduce the amount due to ultimate holding company amounting to approximately HK$41 million and (iii) the remaining balance of approximately HK$23.5 million as general working capital.

Business Review

The Group is principally engaged in the trading, manufacturing and exporting of athletic and athlete-style footwear, as well as the manufacturing of working shoes, safety shoes, golf shoes, and other functional footwear and the manufacturing and sale of modified starch and other biochemical products.

The global economy has improved during the first half of the year, stimulating overseas demand for consumer goods such as footwear products. Orders have been increasing steadily during the first half of the year and the Group expects this trend to continue for the remainder of this year.

The acquisition of Weifang Century-light Biology Science Company Limited ("Weifang Century-light") was completed at the beginning of the year. Weifang Century-light is principally engaged in the selling and manufacturing of modified starch and other biochemical products (變性澱粉及其他生化產品) in the People's Republic of China (the "PRC"). The results of the biochemical business for the six months ended 30 June 2010 was in line with the Group's budget.

Disposal of Nority

During the period, the Company disposed of its entire interest in Nority Limited ("Nority"), a 65% owned subsidiary of the Company to an independent third party. Nority was principally engaged in the manufacturing, sales and exporting of shoes. The Directors believe that the disposal of Nority would allow the Group to reallocate its resources to the Group's other shoes manufacturing and trading entities.

Memorandum of Understanding

On 10 June 2010, the Company and its 62.51% controlling shareholder, Chinese Success Limited, entered into a non-legally binding memorandum of understanding ("MOU") with 中鐵資源集團有限公司 (China Railway Resources Company Limited) ("CRR"), a member company of China Railway Group Limited, a joint stock limited company incorporated in the PRC, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively and 中國鐵路(香港)工程有限公司 (China Railway (Hong Kong) Engineering Limited), a wholly owned subsidiary of CRR. Please refer to the announcement dated 14 July 2010 issued by the Company for details of the MOU.

In order to maximize profitability and returns to the Company and the shareholders in the long run, the Company shall continue to seek new opportunities to expand its existing businesses or diversify into other industries.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the period. I would also like to express my appreciation to the continuous support of our shareholders and investors.

On behalf of the Board
Lam Ching Kui
Chairman

Hong Kong, 19 August 2010

Other Information

Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2010, the interests and short positions of the Directors and chief executive in the shares of the Company (the "Shares") and underlying shares 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 to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and underlying Shares

Name of Director	Capacity	Number of Shares Held	Approximate percentage of shareholding
Lam Ching Kui	Interests of controlled corporations	9,660,064,320	62.51%

Mr. Lam Ching Kui is the beneficial owner of Chinese Success Limited, the major shareholder holding 62.51% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2010, none of the Directors of the Company had any interests or short positions in the Shares or underlying shares 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

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 2010, 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 (other than the Directors or chief executive of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in Shares and underlying Shares in the Company

Name of Shareholder	Capacity	Number of Shares Held	Approximate percentage of shareholding
Chinese Success Limited	Beneficial owner	9,660,064,320	62.51%
Wai Chun Investment Fund	Interests of controlled corporations	9,660,064,320	62.51%

Mr. Lam Ching Kui is the beneficial owner of Chinese Success Limited, the major shareholder holding 62.51% of the issued share capital of the Company.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2010, 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 2010, 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 2010, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executive 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.

Other Information

Share Option Scheme

Pursuant to a share option scheme adopted by the shareholders of the Company on 10 June 2003 (the "SOS"), the Company may, at their discretion, invite full-time employees of the Group, including Directors of the Company and its subsidiaries, and any suppliers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for Shares.

As at 30 June 2010, no share option was granted under the SOS and no share option was lapsed or cancelled during the period.

Employees

As at 30 June 2010, the Group had a total of 76 employees, the majority of whom are situated in Hong Kong and PRC. In addition to offering competitive remuneration packages to employee discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing his own remuneration.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

Corporate Governance

During the six months ended 30 June 2010, the Company had complied with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the Chairman of the Board did not attend and chair the 2010 annual general meeting of the Company as stipulated under code E1.2. The Chairman was away on a business trip on that day.

Other Information

Model Code for Securities Transactions by Directors

The Company has adopted 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 compiled with the required standards set out in the Model Code throughout the six months ended 30 June 2010.

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.

An Audit Committee meeting was held on 19 August 2010 to review the unaudited interim financial report for six months ended 30 June 2010. HLM & Co., the Group's external auditor, has carried out a review of the unaudited interim financial report for the six months ended 30 June 2010 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE SHAREHOLDERS OF
WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED
偉俊礦業集團有限公司
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 38, which comprise the condensed consolidated statement of financial position of Wai Chun Mining Industry Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with HKAS 34.

It is our responsibility to form an independent conclusion, based on our review, on this interim financial information, and to report our conclusion solely to you, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other parties for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on this interim financial information.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

HLM & Co.
Certified Public Accountants
Hong Kong,
19th August 2010

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	**2010 Unaudited HK$'000**	2009 Unaudited HK$'000
Turnover	3	**133,281**	5,458
Cost of sales		**(116,158)**	(5,322)
Gross profit		**17,123**	136
Other revenue		**2,303**	3,122
Selling expenses		**(6,159)**	(2,198)
Administrative expenses		**(14,469)**	(11,514)
Loss on disposal of obsolete inventories		**–**	(8,161)
Realised loss on disposal of held for trading investments		**(2,054)**	–
Unrealised gain on held for trading investments		**–**	4,690
Gain on disposal of subsidiaries	15	**40,809**	–
Finance costs		**(1,047)**	(2,485)
Profit (loss) before taxation		**36,506**	(16,410)
Taxation	4	**(676)**	–
Profit (loss) for the period	5	**35,830**	(16,410)
Profit (loss) attributable to:			
– Shareholders of the Company		**31,906**	(11,577)
– Non-controlling interests		**3,924**	(4,833)
		35,830	(16,410)
Interim dividend	6	**–**	–
Earnings (loss) per share	7	**HK cents**	HK cents
– Basic		**0.21**	(0.09)
– Diluted		**0.21**	(0.09)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	2010	2009
	Unaudited	Unaudited
	HK$'000	HK$'000
Profit (loss) for the period	**35,830**	(16,410)
Other comprehensive income:		
Exchange differences on translation	**291**	–
Total comprehensive income (expense) for the period	**36,121**	(16,410)
Total comprehensive income (expense) attributable to:		
– Shareholders of the Company	**32,054**	(11,577)
– Non-controlling interests	**4,067**	(4,833)
	36,121	(16,410)

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	**30.6.2010 Unaudited HK$'000**	31.12.2009 Audited HK$'000
Non-current assets			
Property, plant and equipment	8	**12,436**	1,714
Prepaid leasehold land payments	9	**7,593**	–
Deposit paid for acquisition of a subsidiary		**–**	4,682
Golf club debenture		**–**	246
		20,029	6,642
Current assets			
Inventories		**24,121**	–
Prepaid leasehold land payments	9	**155**	–
Trade receivables	10	**36,147**	5,162
Deposits, prepayments and other receivables		**39,434**	2,121
Amounts due from a related company		**1,647**	–
Held for trading investments		**–**	15,490
Bank balances and cash		**37,969**	11,010
		139,473	33,783
Current liabilities			
Trade payables	11	**64,147**	7,251
Accruals and other payables		**5,177**	4,853
Tax payable		**180**	1,006
Amounts due to ultimate holding company	12	**–**	56,106
Amounts due to a director		**199**	4,754
Amounts due to a related company		**522**	251
Secured bank loans – due within one year	13	**32,169**	–
		102,394	74,221
Net current assets (liabilities)		**37,079**	(40,438)
Total assets less current liabilities		**57,108**	(33,796)

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	**30.6.2010** **Unaudited** **HK$'000**	31.12.2009 Audited HK$'000
Non-current liability			
Amounts due to a minority shareholder of a subsidiary		**–**	53,282
Total non-current liability		**–**	53,282
Total assets less liabilities		**57,108**	(87,078)
Capital and reserves			
Share capital	14	**38,637**	32,197
Reserves		**(46)**	(98,295)
Equity (capital deficiency) attributable to Shareholders of the Company		**38,591**	(66,098)
Non-controlling interests		**18,517**	(20,980)
Total equity (capital deficiency)		**57,108**	(87,078)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Convertible note reserve HK$'000	Accumulated losses HK$'000	Attributable to shareholders of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	**32,197**	**75,924**	**10,503**	**–**	**–**	**(184,722)**	**(66,098)**	**(20,980)**	**(87,078)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**31,906**	**31,906**	**3,924**	**35,830**
Other comprehensive income for the period	**–**	**–**	**–**	**148**	**–**	**–**	**148**	**143**	**291**
Total comprehensive income for the period	**–**	**–**	**–**	**148**	**–**	**31,906**	**32,054**	**4,067**	**36,121**
Issue of shares by open offer	**6,440**	**69,792**	**–**	**–**	**–**	**–**	**76,232**	**–**	**76,232**
Disposal of subsidiaries	**–**	**–**	**(3,597)**	**–**	**–**	**–**	**(3,597)**	**20,980**	**17,383**
Non-controlling interests arising on the acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,450**	**14,450**
	6,440	**69,792**	**(3,597)**	**–**	**–**	**–**	**72,635**	**35,430**	**108,065**
At 30 June 2010	**38,637**	**145,716**	**6,906**	**148**	**–**	**(152,816)**	**38,591**	**18,517**	**57,108**
At 1 January 2009	26,837	48,079	6,906	–	4,368	(161,979)	(75,789)	(20,980)	(96,769)
Loss for the period	–	–	–	–	–	(11,577)	(11,577)	(4,833)	(16,410)
At 30 June 2009	26,837	48,079	6,906	–	4,368	(173,556)	(87,366)	(25,813)	(113,179)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK$'000	HK$'000
Net cash generated from (used in) operating activities	**821**	(14,717)
Net cash generated from investing activities	**7,616**	4,363
Net cash generated from financing activities	**18,159**	53,681
Net increase in cash and cash equivalents	**26,596**	43,327
Effects of foreign exchange rate changes	**363**	–
Cash and cash equivalents at the beginning of the period	**11,010**	33,910
Cash and cash equivalents at the end of the period	**37,969**	77,237

1. BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activities of the Company and its subsidiaries are the trade, manufacture and export of athletic and athletic-style leisure footwear, leather shoes, working shoes, safety shoes, and other functional shoes, and manufacture and sale of modified starch and other biochemical products.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), under the historical cost convention, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies and method of computation used in preparing the unaudited condensed consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2009 except as described below.

For the current interim period, the Group has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by HKICPA, which are or have become effective. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 3 (Revised 2008) Business Combinations

HKFRS 3 (Revised 2008) has been adopted in the current period (business combinations for which the acquisition date is on or after the beginning of the annual period beginning on or after 1 July 2009). Its adoption has affected the accounting for business combinations in the current period.

In accordance with the relevant transitional provisions, HKFRS 3 (Revised 2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 April 2009. The impact of the adoption of HKFRS 3 (Revised 2008) has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests' share of the identifiable net assets of the acquiree. In the current period, in accounting for the acquisition of Weifang Century-light Biology Science Co., Ltd. and its subsidiaries, the Group has elected to measure the non-controlling interests at fair value at the date of acquisition. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the identifiable net assets of the acquiree;

- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that arise from better information about the fair value at the acquisition date, and they occur within the "measurement period" (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 3 (Revised 2008) Business Combinations (Continued)

- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and

- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current period, these changes in policies have resulted in acquisition-related costs of approximately HK$285,000 being charged to the consolidated income statement. There is no other significant financial impact to the condensed consolidated financial statements of the Group.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

HKAS 27 (Revised 2008) and consequential amendments to HKAS 21 *The Effects of Changes in Foreign Exchange Rates* have been adopted (annual periods beginning on or after 1 July 2009). The revisions to HKAS 27 principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries.

HKAS 27 (Revised 2008) has been adopted (annual periods beginning on or after 1 July 2009) and has been applied retrospectively (subject to specified transitional provisions). The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, the Group adopted a policy to charge the difference between the fair value and the carrying values of the underlying assets and liabilities attributable to the additional interests in a subsidiary acquired to capital reserve; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements (Continued)

Under HKAS 27 (Revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss. The new accounting policies in relation to changes in ownership interests in subsidiaries have been applied prospectively to changes that take place on or after 1 January 2010 in accordance with the relevant transitional provisions.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

The adoption of HKAS 27 (Revised 2008) has affected the accounting for the Group's disposal in the current period of its entire interests in China Career Education Investment and Management Co., Ltd. and Nority Limited, and the acquisition of 51% equity interest in Weifang Century-light Biology Science Co., Ltd and its subsidiaries.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements (Continued)

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of the HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application for HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Group anticipate that the application for the other new and revised Standards, Amendments and Interpretations will have no material impact on the financial performance and financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and return approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14 in that trading of footwear and manufacture and sale of modified starch and other biochemical products (變性澱粉及其他生化產品) business are being identified as an operating segment in the current period. Manufacture and sale of modified starch and other biochemical products is the principal business of Weifang Century-light Biology Science Co., Ltd. and its subsidiaries which were newly acquired by the Group during current period. The Group's reportable segments under HKFRS 8 are as follow:

Sales and manufacturing of footwear	Trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes
Sales and manufacturing of modified starch and other biochemical products	Manufacture and sale of modified starch and other biochemical products

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs that are regularly reviewed by the executive directors of the Company being the CODM of the Group.

Segments profit (loss) represents profit earned or loss incurred by each segment without allocation of other revenue, central administration costs including directors' salaries, gain on disposal of subsidiaries, and finance costs. This is the basis of measurement reported to the CODM for the purposes of resource allocation and assessment of segment performance.

3. SEGMENT INFORMATION (CONTINUED)

Business segments

The CODM regularly review revenue and operating results derived from trade of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes on an aggregated basis, and sales and manufacturing of modified starch and other biochemical products and consider them as two operating segments.

Segment revenue and results

The following is an analysis of the Group's revenues and results by reportable segments:

	Six months ended 30 June					
	2010			2009		
	Sales and manufacturing of modified starch and other biochemical products Unaudited HK$'000	**Sales and manufacturing of footwear Unaudited HK$'000**	**Consolidated Unaudited HK$'000**	Sales and manufacturing of modified starch and other biochemical products Unaudited HK$'000	Sales and manufacturing of footwear Unaudited HK$'000	Consolidated Unaudited HK$'000
Segment revenue	**119,991**	**13,290**	**133,281**	–	5,458	5,458
Loss on disposal of obsolete inventories	**-**	**-**	**-**	–	(8,161)	(8,161)
Segment results	**7,589**	**14**	**7,603**	–	(14,862)	(14,862)
Other revenue			**43,112**			7,812
Unallocated expenses			**(13,162)**			(6,875)
Finance costs			**(1,047)**			(2,485)
			36,506			(16,410)
Taxation			**(676)**			–
Profit (loss) for the period			**35,830**			(16,410)

Revenue reported above represents revenue generated from external customers. There was no inter-segment sale during the period (2009: HK$Nil).

3. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

Segment assets and liabilities

	30.6.2010			31.12.2009		
	Sales and manufacturing of modified starch and other biochemical products	**Sales and manufacturing of footwear**	**Consolidated**	Sales and manufacturing of modified starch and other biochemical products	Sales and manufacturing of footwear	Consolidated
	Unaudited	**Unaudited**	**Unaudited**	Audited	Audited	Audited
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Assets						
Segment assets	**127,789**	**7,577**	**135,366**	–	16,173	16,173
Unallocated assets			**24,136**			24,252
Consolidated assets			**159,502**			40,425
Liabilities						
Segment liabilities	**95,028**	**4,785**	**99,813**	–	57,777	57,777
Unallocated liabilities			**2,581**			69,726
Consolidated liabilities			**102,394**			127,503
Geographical assets						
Hong Kong			**31,712**			40,425
PRC			**127,790**			–
			159,502			40,425

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

- all assets are allocated to reportable segments other than held for trading investments, and current and deferred tax assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

For the period ended 30 June 2009, the Group's operations were located in Hong Kong with revenue and profits derived from its operations in Hong Kong. For the period ended 30 June 2010, the Group's operations were principally located in Hong Kong (country of domicile), The People's Republic of China (the "PRC") and The Republic of Korea (the "Korea").

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

	Revenue from external customers for the six months ended 30 June		**Non-current assets**	
	2010	2009	**30.6.2010**	31.12.2009
	Unaudited	Unaudited	**Unaudited**	Audited
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**13,290**	5,458	**229**	1,714
Korea	**57,002**	–	**–**	–
PRC	**38,896**	–	**19,800**	4,928
Others	**24,093**	–	**–**	–
	133,281	5,458	**20,029**	6,642

4. TAXATION

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK$'000	HK$'000
Tax expenses attributable to the Company and its subsidiaries:		
Current tax:		
Hong Kong	**–**	–
PRC	**2,048**	–
	2,048	–
Over-provision in prior years:		
Hong Kong	**(1,005)**	–
PRC	**(367)**	–
	(1,372)	–
Total income tax recognised in profit or loss	**676**	–

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2009: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

5. PROFIT (LOSS) FOR THE PERIOD

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK$'000	HK$'000
Profit (loss) for the period has been arrived at after charging:		
Interest expenses	**1,047**	2,485
Depreciation on property, plant and equipment	**918**	1,846
Loss on disposal of obsolete inventories	**–**	8,161
Realised loss on disposal of held for trading investments	**2,054**	–
Staff costs (including directors' emoluments and retirement benefit costs)	**3,245**	3,384
And after crediting:		
Interest income	**13**	4
Gain on disposal of property, plant and equipment	**–**	1,676
Unrealised gain of held for trading investments	**–**	4,690

6. INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2010 was based on the Group's profit attributable to shareholders of the Company of approximately HK$31,906,000 and the weighted average number of ordinary shares of 14,985,067,865 in issue during the period.

The calculation of the basic loss per share for the six months ended 30 June 2009 was based on the Group's loss attributable to shareholders of the Company of HK$11,577,000 and the weighted average number of ordinary shares of 13,310,685,376 in issue in 2009. The denominator for the purpose of calculating loss per share in 2009 has been adjusted to reflect the bonus element in the rights issue under the open offer during 2010.

There were no dilutive potential shares in issue during the six months ended 30 June 2010. The calculation of diluted loss per share for the six months ended 30 June 2009 did not assume the conversion of the convertible note as the conversion of which would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with a cost of approximately HK$12,639,000 (2009: HK$564,000). Items of property, plant and equipment with a net book value of approximately HK$999,000 (2009: HK$3,706,000) were disposed of during the six months ended 30 June 2010, resulting in a profit on disposal of approximately HK$100 for the six months ended 30 June 2010 (2009: HK$ 1,676,000)

9. PREPAID LEASEHOLD LAND PAYMENTS

On 1 January 2010, the Group acquired 51% equity interest in Weifang Century-light Biology Science Co., Limited and its subsidiaries, with the prepaid lease payments on land use rights amounted to HK$7,748,000, and there was no addition during the period.

10. TRADE RECEIVABLES

The Group allows credit period ranging from 30 to 90 days to its trade customers. The aging analysis of trade receivables is as follows:

	30.6.2010	31.12.2009
	Unaudited	Audited
	HK$'000	HK$'000
0-30 days	**15,205**	829
31-60 days	**3,490**	–
61-90 days	**6,439**	–
Over 90 days	**11,013**	4,333
	36,147	5,162

Included in the Group's trade receivables as at 30 June 2010 were debtors with an aggregate carrying amount of approximately HK$11,013,000 which were past due at the end of the reporting period for which the Group had not provided for impairment loss as there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances.

The Group's trade receivables mainly represent sales made to recognised and credit worthy customers. These customers who trade on credit terms are subject to credit verification procedures. The Group does not hold any collateral over those balances.

11. TRADE PAYABLES

The average credit period on purchases of goods ranges from 30 to 90 days. The aging analysis of trade payables is as follows:

	30.6.2010	31.12.2009
	Unaudited	Audited
	HK$'000	HK$'000
0-30 days	**23,327**	1,951
31-60 days	**8,734**	2,063
61-90 days	**378**	480
Over 90 days	**31,708**	2,757
	64,147	7,251

12. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

The amounts due to ultimate holding company is unsecured, interest bearing at a range of 0% to 3.95% (2009: 0% to 3.95%) and repayable on demand.

13. SECURED BANK LOANS

	30.6.2010	31.12.2009
	Unaudited	Audited
	HK$'000	HK$'000
Within one year	**32,169**	–

All bank loans are denominated in Renminbi with variable interest rate from 3.7% to 7.0% per annum.

At the end of the reporting period, the Group's secured bank loans were fully secured by properties which are owned by a minority shareholder of a subsidiary.

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.0025 each at 1 January 2009 and 31 December 2009, 1 January 2010 and 30 June 2010	40,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.0025 each at 1 January 2009	10,734,904,480	26,837
Issue of shares on conversion of convertible note	2,144,000,000	5,360
Ordinary shares of HK$0.0025 each at 31 December 2009 and 1 January 2010	12,878,904,480	32,197
Issue of shares on open offer (Note)	2,575,780,896	6,440
Ordinary shares of HK$0.0025 each at 30 June 2010	**15,454,685,376**	**38,637**

Note: During the period, the Company allotted and issued 2,575,780,896 ordinary shares of HK$0.0025 each at the price of HK$0.03 per share as a result of an open offer to the then existing shareholders.

All the shares which were issued during the period rank pari passu with the then existing shares in all respects.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

15. GAIN ON DISPOSAL OF THE SUBSIDIARIES

During the period, the Group disposed of its entire interests in China Career Education Investment and Management Co., Ltd. and Nority Limited.

The net liabilities of the subsidiaries at the date of disposal are as follow:

	2010		
	China Career Education Investment and Management Co., Ltd. HK$'000	Nority Limited HK$'000	Total HK$'000
Net assets disposal of:			
Golf club debenture	–	246	246
Deposits, prepayments and other receivables	–	156	156
Bank balances and cash	48	37	85
Trade payables	–	(2,756)	(2,756)
Accruals and other payables	(57)	(2,584)	(2,641)
Amounts due to a minority shareholder	–	(56,879)	(56,879)
Net liabilities	(9)	(61,780)	(61,789)
Non-controlling interests	–	20,980	20,980
Gain on disposal	9	40,800	40,809
Total consideration	–	–	–
Net cash outflow arising on disposal			
Cash consideration	–	–	–
Bank balances and cash disposed of	48	37	85
	48	37	85

16. ACQUISITION OF SUBSIDIARIES

On 1 January 2010, the Group acquired 51% equity interest in Weifang Century-light Biology Science Co., Ltd. and its subsidiaries from an independent third party at a consideration of RMB10,300,000 (equivalent to approximately HK$11,711,000).

	Fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	11,522
Prepaid leasehold land payments	7,673
Inventories	17,105
Trade receivables	9,928
Deposits, prepayments and other receivables	13,402
Tax receivable	500
Bank balances and cash	1,305
Trade payables	(7,141)
Accruals and other payables	(78)
Secured bank loans – due within one year	(27,946)
	26,270
Non-controlling interests of its subsidiaries	(3,094)
Net assets acquired	23,176
Non-controlling interests	(11,356)
51% equity interest	11,820
Total consideration	(11,711)
Discount on acquisition	109
Net cash outflow arising on acquisition	
Cash consideration paid	(7,029)
Bank balances and cash acquired	1,305
	(5,724)

17. OPERATING LEASE COMMITMENTS

The Group as lessee

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK$'000	HK$'000
Lease payments paid under operating leases in respect of rented properties during the period	**1,715**	1,787

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30.6.2010	31.12.2009
	Unaudited	Audited
	HK$'000	HK$'000
Within one year	**1,711**	2,220
In the second to fifth years inclusive	**1,629**	142
	3,340	2,362

Operating lease payments represent rentals payable by the Group for its office premises in Hong Kong and PRC. Leases and rentals are negotiated and fixed respectively for an average term of two years.

The Group as lessor

The Group leased its golf club membership. The golf club membership rental income earned during the period ended 30 June 2010 was HK$Nil (2009: HK$6,500).

The Group also contracted with tenant for administrative income earned during the period ended 30 June 2010 amounted to HK$1,200,000 (2009: HK$1,200,000).

18. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has no capital commitments (31 December 2009: Nil).

19. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties. The transactions were carried out at estimated market prices determined by the directors of the Company.

		For the six months ended 30 June		
		2010	2009	
		Unaudited	Unaudited	Interested
Related parties	Nature of transactions	**HK$'000**	HK$'000	director
Wai Chun Investment Fund	Interest expenses	**–**	214	Lam Ching Kui
Wai Chun Group Holdings Limited	Administrative income	**1,200**	1,200	Lam Ching Kui
	Interest expenses	**13**	27	
	Interest (income)	**(8)**	–	
Fellow subsidiary of a minority shareholder of a subsidiary	Rental expenses	**–**	1,534	N/A
Fellow subsidiary of a minority shareholder of a subsidiary	Management fee expenses	**–**	1,000	N/A