Interim Report 2011

Wai Chun Mining Industry Group Company Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 0660)

Contents

Corporate Information

EXECUTIVE DIRECTORS

Lam Ching Kui *(Chairman)*
Lu Jun Wu *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Lu Jun Wu

COMPANY SECRETARY

Lee Lai Wa
MPA, BA(Hons), CPA(HK), FCCA, ACIS, ACS

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
Lu Jun Wu

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
Hang Seng Bank Limited

STOCK CODE

0660

COMPANY WEBSITE

www.0660.hk

Financial Review

FINANCIAL PERFORMANCE

For the six months ended 30 June 2011, the Group recorded a turnover of approximately HK$145,365,000 (six months ended 30 June 2010: approximately HK$133,281,000), representing an increase of 9% as compared to the same period last year. The Group recorded a gross profit and gross profit margin of approximately HK$15,569,000 and 10.71% respectively, representing a slight decrease in gross profit and gross profit margin as compared to the gross profit and gross profit margin of approximately HK$17,123,000 and 12.85% respectively recorded in 2010. Operating expenses remained similar to that recorded in 2010.

Loss attributable to shareholders of the Company amounted to approximately HK$6,537,000 as compared to the profit of approximately HK$31,906,000 in the same corresponding period last year. The reasons for the loss were due to (1) the increase in selling expenses of the Group's modified starch and other biochemical business in China and (2) the absence of the gain on disposal of subsidiaries of the Group recorded in the last corresponding period.

FINANCIAL RESOURCES AND POSITION

During the six months ended 30 June 2011, the Group financed its operations mainly by internally generated resources and borrowings. As at 30 June 2011, the Group had net current assets of approximately HK$16,015,000 (31 December 2010: approximately HK$22,653,000) and cash and cash equivalents of approximately HK$102,567,000 (31 December 2010: approximately HK$93,479,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As the Group's businesses are conducted in Hong Kong and the PRC, therefore the Group is not exposed to any material foreign exchange risk. As at 30 June 2011, the current ratio of the Group was approximately 1.06 (31 December 2010: approximately 1.08).

Financial Review

As at 30 June 2011, total borrowings of the Group amounted to approximately HK$143,037,000, representing an increase of 10.16% as compared to approximately HK$129,844,000 on 31 December 2010. The increase was mainly attributable to the increase in operating and selling expenses of the modified starch and other biochemical products business in PRC. All borrowings of the Group are short term in nature and are denominated in Hong Kong Dollars and Renminbi. Most of these borrowings are secured and interest bearing with prevailing market interest rates. The gearing ratio of the Group, which was calculated on the basis of net debt to total assets, increased from 11.6% as at 31 December 2010 to 13.3% as at 30 June 2011.

Bank deposits of approximately HK$78,249,000 (31 December 2010: approximately HK$36,772,000) have been pledged to secure banking facilities granted to the Group.

The Group did not have any material contingent liabilities as at 30 June 2011.

The directors believe that the Group has sufficient financial resources for its operations. The directors will remain cautious in the Group's liquidity management.

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2011 and 2010.

Business Review

During the period under review, the Group continued to engage in the trading of athletic and athlete-style footwear, working shoes, safety shoes, golf shoes and other functional shoes and the manufacture and sale of modified starch and other biochemical products.

Although the footwear business recorded a slight increase in turnover during the period under review, it incurred a loss of approximately HK$453,000 during the first half of the year as a result of the increase in administrative expenses.

The Group recorded a lower than expected earnings for its newly acquired modified starch and other biochemical products business during the period under review. This was attributable to the longer than expected production schedule during the starting up phase of the new factory and the delay in receiving the sales orders.

FUTURE PROSPECT

The Group will continue to keep focus on its existing business by strengthening the business relationship with existing customers and look for opportunity to expand its customer base. At the same time, the Group will continue to seek new investment opportunities so as to maximise its profitability and return to the shareholders of the Company in the long run.

The Group believes that the factors affecting the startup operation of the modified starch and other biochemical products business mentioned above are only temporary. The operations of this business segment have regained its momentum in the last few months. The Group has confident that the performance of this business segment would improve in the years to come. In this respect, the Company announced on 4 August 2011 that a conditional supplemental agreement (the "Supplemental Agreement") was entered into on 4 August 2011 between Wai Chun Industrial (Hong Kong) Limited, the wholly owned subsidiary of the Company, and Mr. Gong Weifeng (the "Vendor"), the original vendor of the companies comprising the Group's business in the modified starch and other biochemical products ("Biochemical Companies"), to amend some of the terms of the sale and purchase agreement signed on 8 December 2009 in relation to the purchase by the group of the 51% equity interest of the Biochemical Companies (the "S&P Agreement"). Under the Supplemental Agreement, the Group and the Vendor mutually agreed to release and discharge the obligation of each other under the clause of the S&P Agreement as a result of the Vendor not being able to achieve the guaranteed aggregate net profit after tax of RMB8 million for the year ended 31 December 2010. In addition, the Vendor further agreed to the Group to buy back the 51% equity interest from the Group for cash consideration of RMB10,300,000 if the aggregate net profit after tax of the Biochemical Companies for the two years ending 31 December 2011 is less than RMB20 million. The Supplemental Agreement constitutes a connected transaction of the Company under the Listing Rules, it is subject to the approval of the independent shareholders at the shareholder meeting to be fixed by the Board. Details of the Supplemental Agreement will be set out in the circular of the Company to be despatched to shareholders as soon as possible. For date of despatch of the circular, please refer to the announcement of the Company dated 25 August 2011.

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, 29 August 2011

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, 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
Mr. Lam Ching Kui	(Note)	9,660,064,320	62.51%
Mr. Lu Jun Wu	Beneficial owner	162,188,000	1%

Note: Mr. Lam Ching Kui is the ultimate 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 2011, 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.

Other Information

Directors' Rights to Acquire Shares

At no time during the period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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
Wai Chun Investment Fund (Note1)	Interest of controlled corporation	9,660,064,320	62.51%
Chinese success Limited (Note1)	Beneficial Owner	9,660,064,320	62.51%
Onward Global Investments Limited (Note2)	Beneficial Owner	1,286,350,000	8.32%
Spring Garden Investments Limited (Note3)	Beneficial Owner	1,286,400,000	8.32%

Notes:

1. These shares are beneficial owned by Chinese Success Limited, which in turn is wholly-owned by Wai Chun Investment Fund. Mr. Lam Ching Kui, The Chairman and Executive Director of the Company, is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Mr. Lam Ching Kui is the director of Chinese Success Limited and Wai Chun Investment Fund.

2. Mr. Liu Wei is the beneficial owner of Onward Global Investments Limited, the substantial shareholder holding 8.32% of the issued share capital of the Company

3. Mr. Pan Guoxin is the beneficial owner of Spring Garden Investments Limited, the substantial shareholder holding 8.32% of the issued share capital of the Company

Save for the shareholders as disclosed herein, the Directors and the chief executive of the Company are not aware of any persons who, as at 30 June 2011, 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 2011, 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 2011, 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 2011, no share option was granted under the SOS and no share option was lapsed or cancelled during the period.

EMPLOYEES

As at 30 June 2011, the Group had a total of 110 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 2011.

Other Information

CORPORATE GOVERNANCE

During the six months ended 30 June 2011, 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 2011 annual general meeting of the Company as stipulated under code E1.2. The Chairman was away on a business trip on that day.

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 2011.

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 29 August 2011 to review the unaudited interim financial report for six months ended 30 June 2011. 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 2011 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Independent Review Report

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 14 to 42, 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 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-months 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.

Independent Review 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,
29th August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	2011 Unaudited HK$'000	2010 Unaudited HK$'000
Turnover	3	**145,365**	133,281
Cost of sales		**(129,796)**	(116,158)
Gross profit		**15,569**	17,123
Other revenue		**655**	2,303
Selling expenses		**(8,462)**	(6,159)
Administrative expenses		**(11,005)**	(14,469)
Realised loss on disposal of held for trading investments		**–**	(2,054)
Gain on disposal of subsidiaries		**–**	40,809
Finance costs		**(2,314)**	(1,047)
(Loss) profit before taxation		**(5,557)**	36,506
Taxation	4	**(393)**	(676)
(Loss) profit for the period	5	**(5,950)**	35,830
Other comprehensive income:			
Exchange differences on translation		**758**	291
Total comprehensive (expense) income for the period		**(5,192)**	36,121
(Loss) profit attributable to:			
– Shareholders of the Company		**(6,537)**	31,906
– Non-controlling interests		**587**	3,924
		(5,950)	35,830

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2011

	Notes	2011 Unaudited HK$'000	2010 Unaudited HK$'000
Total comprehensive (expense) income attributable to:			
– Shareholders of the Company		**(6,202)**	32,054
– Non-controlling interests		**1,010**	4,067
		(5,192)	36,121
Interim dividend	6	**–**	–
(Loss) earnings per share	7	**HK cents**	HK cents
– Basic		**(0.04)**	0.21
– Diluted		**(0.04)**	0.21

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30.6.2011 Unaudited HK$'000	31.12.2010 Audited HK$'000
Non-current assets			
Property, plant and equipment	8	**16,365**	15,091
Prepaid leasehold land payments		**7,908**	7,768
		24,273	22,859
Current assets			
Inventories		**57,575**	46,334
Prepaid leasehold land payments		**161**	159
Trade and bills receivables	9	**44,011**	48,915
Deposits, prepayments and other receivables		**74,996**	102,532
Bank balances and cash		**102,567**	93,479
		279,310	291,419
Current liabilities			
Trade payables	10	**39,083**	68,655
Accruals and other payables		**80,980**	68,341
Tax payable		**249**	2,012
Amounts due to an ultimate holding company		**4,400**	–
Secured bank loans – due within one year	11	**138,371**	124,004
Obligations under finance lease	12	**65**	60
Bank overdrafts		**147**	5,694
		263,295	268,766
Net current assets		**16,015**	22,653
Total assets less current liabilities		**40,288**	45,512

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2011

	Notes	30.6.2011 Unaudited HK$'000	31.12.2010 Audited HK$'000
Non-current liability			
Obligations under finance lease	12	**54**	86
Total non-current liability		**54**	86
Total assets less liabilities		**40,234**	45,426
Capital and reserves			
Share capital	13	**38,637**	38,637
Reserves		**(17,537)**	(11,335)
Equity attributable to Shareholders of the Company		**21,100**	27,302
Non-controlling interests		**19,134**	18,124
Total equity		**40,234**	45,426

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Attributable to shareholders of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	**38,637**	**145,716**	**6,906**	**460**	**(164,417)**	**27,302**	**18,124**	**45,426**
Loss for the period	**–**	**–**	**–**	**–**	**(6,537)**	**(6,537)**	**587**	**(5,950)**
Other comprehensive income for the period	**–**	**–**	**–**	**335**	**–**	**335**	**423**	**758**
Total comprehensive income (expenses) for the period	**–**	**–**	**–**	**335**	**(6,537)**	**(6,202)**	**1,010**	**(5,192)**
At 30 June 2011	**38,637**	**145,716**	**6,906**	**795**	**(170,954)**	**21,100**	**19,134**	**40,234**
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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK$'000	HK$'000
Net cash generated from operating activities	**1,921**	821
Net cash (used in) generated from investing activities	**(1,400)**	7,616
Net cash generated from financing activities	**12,144**	18,159
Net increase in cash and cash equivalents	**12,665**	26,596
Effects of foreign exchange rate changes	**1,970**	363
Cash and cash equivalents at the beginning of the period	**87,785**	11,010
Cash and cash equivalents at the end of the period	**102,420**	37,969
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	**102,567**	37,969
Bank overdrafts	**(147)**	–
	102,420	37,969

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 trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf 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 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 2010 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 2010 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)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) – Int 13 (Amendments)	Customer Loyalty Programmes – Improvements to HKFRSs (2010)
HK (IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

(Continued)

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

HKAS 32 Classification of Rights Issues

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK (IFRIC) – Int 14 Prepayments of Minimum Funding Requirement

The amendments to HK (IFRIC) – Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

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

(Continued)

HK (IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments

HK (IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transaction in the future, HK (IFRIC) – Int 19 will affect the required accounting. In particular, under HK (IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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

HKFRS 1 (Amendments)	Severe hyperinflation and Removal of fixed dates for first-time adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9 (Revised)	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
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HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benfits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]

[1] Effective for annual periods beginning on or after 1 July 2011.

[2] Effective for annual periods beginning on or after 1 January 2012.

[3] Effective for annual periods beginning on or after 1 July 2012.

[4] Effective for annual periods beginning on or after 1 January 2013.

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

(Continued)

HKFRS 9 Financial Instruments issued in November 2009 and amended in December 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as a fair value through profit and loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability's credit risk in the comprehensive income to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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

(Continued)

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10 there is only one basis for consolidation that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

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

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments.

The directors of the Group anticipate 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

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. In addition, for 'footwear' and 'modified starch and other biochemical products' operation, the information reported to the Board is further analysed based on the different classes of customers.

3. SEGMENT INFORMATION *(Continued)*

Specifically, the Group's reportable segments under HKFRS 8 are as follow:

Footwear	Trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes
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 represents profit earned or loss incurred by each segment without allocation of other revenue, central administration costs including directors' salaries and finance costs. This is the basis of measurement reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Business Segments

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

3. SEGMENT INFORMATION *(Continued)*

Business Segments *(Continued)*

Segment Revenues and Results

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

	Six months ended 30 June					
	2011			2010		
	Modified starch and other biochemical products	**Footwear**	**Consolidated**	Modified starch and other biochemical products	Footwear	Consolidated
	Unaudited	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Segment revenue	**129,468**	**15,897**	**145,365**	119,991	13,290	133,281
Segment results	**3,154**	**(453)**	**2,701**	7,589	14	7,603
Other revenue			**655**			43,112
Unallocated expenses			**(6,599)**			(13,162)
Finance costs			**(2,314)**			(1,047)
			(5,557)			36,506
Taxation			**(393)**			(676)
(Loss) profit for the period			**(5,950)**			35,830

Revenue reported above represents revenue generated from external customers. There was no inter-segment sale during the period (six months ended 30 June 2010: HK$Nil).

3. SEGMENT INFORMATION *(Continued)*

Business Segments *(Continued)*

Segment Assets and Liabilities

	30.6.2011			31.12.2010		
	Modified starch and other biochemical products	Footwear	Consolidated	Modified starch and other biochemical products	Footwear	Consolidated
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Segment assets	286,930	3,441	290,371	296,561	6,589	303,150
Unallocated assets			13,212			11,128
Consolidated assets			303,583			314,278
Liabilities						
Segment liabilities	252,712	1,827	254,539	264,007	1,413	265,420
Unallocated liabilities			8,810			3,432
Consolidated liabilities			263,349			268,852
Geographical assets						
Hong Kong			16,652			17,775
PRC			286,931			296,503
			303,583			314,278

3. SEGMENT INFORMATION *(Continued)*

Business Segments *(Continued)*

Segment Assets and Liabilities *(Continued)*

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)*

Other Information

	30.6.2011			
	Modified starch and other biochemical products	**Footwear**	**Unallocated**	**Consolidated**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Additions to non-current assets	**1,680**	**–**	**–**	**1,680**
Depreciation and amortisation	**770**	**–**	**23**	**793**
Prepayments	**43,190**	**–**	**–**	**43,190**

	31.12.2010			
	Modified starch and other biochemical products	Footwear	Unallocated	Consolidated
	Audited	Audited	Audited	Audited
	HK$'000	HK$'000	HK$'000	HK$'000
Additions to non-current assets				
– acquisition of subsidiaries	11,833	–	–	11,833
– others	3,994	8	–	4,002
Depreciation and amortisation				
– acquisition of subsidiaries	311	–	–	311
– others	1,147	–	628	1,775
Additions to prepaid leasehold land payments				
– acquisition of subsidiaries	7,674	–	–	7,674
– others	235	–	–	235
Prepayments	79,682	–	–	79,682

3. SEGMENT INFORMATION *(Continued)*

Geographical Information

For the period ended 30 June 2011 and 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") 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 location:

	Revenue from external customers for the six months ended 30 June		Non-current assets	
	2011 Unaudited HK$'000	2010 Unaudited HK$'000	**30.6.2011 Unaudited HK$'000**	31.12.2010 Audited HK$'000
Hong Kong	**15,897**	13,290	**72**	86
Korea	**81,192**	57,002	**–**	–
PRC	**35,372**	38,896	**24,201**	22,773
Others	**12,904**	24,093	**–**	–
	145,365	133,281	**24,273**	22,859

3. SEGMENT INFORMATION *(Continued)*

Information on major customers

For the period ended 30 June 2011, revenue from one customer of the Group amounting to approximately HK$20,555,000 had individually accounted for over 10% of the Group's total revenue.

For the period ended 30 June 2010, revenue is derived from a large number of customers and no single customer or group under common control contributes more than 10% of the Group's turnover. Accordingly, an analysis of customers is not presented.

Information on major suppliers

For the period ended 30 June 2011, cost of sales arising from purchases of modified starch and other biochemical products from two suppliers of the Group amounting to approximately HK$50,029,000 and HK$18,342,000 had individually accounted for over 10% of the Group's total cost of sales.

For the period ended 30 June 2010, cost of sales arising from purchases of modified starch and other biochemical products from one supplier of the Group amounting to approximately HK$55,586,000 had individually accounted for over 10% of the Group's total cost of sales.

4. TAXATION

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK$'000	HK$'000
Tax expenses attributable to the Company and its subsidiaries:		
Current tax:		
Hong Kong	**–**	–
PRC	**226**	2,048
	226	2,048
Under (over) provision in prior periods:		
Hong Kong	**–**	(1,005)
PRC	**167**	(367)
	167	(1,372)
Total income tax recognised in profit or loss	**393**	676

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (six months ended 30 June 2010: 25%).

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

5. (LOSS) PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK$'000	HK$'000
(Loss) profit for the period has been arrived at after charging:		
Interest expenses	**2,314**	1,047
Depreciation on property, plant and equipment	**752**	918
Realised loss on disposal of held for trading investments	**–**	2,054
Staff costs (including directors' emoluments and retirement benefit costs)	**4,260**	3,245
And after crediting:		
Interest income	**280**	13
Gain on disposal of subsidiaries	**–**	40,809

6. INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 and 2010.

7. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2011 was based on the Group's loss attributable to shareholders of the Company of approximately HK$6,537,000 (six months ended 30 June 2010: profit attributable to shareholders of the Company of approximately HK$31,906,000) and the weighted average number of ordinary shares of 15,454,685,376 (six months ended 30 June 2010: 14,985,067,865) during the period.

The amounts of diluted loss per share are the same as basic loss per share as there were no potential dilutive shares during the six months ended 30 June 2011 and 2010.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with a cost of approximately HK$1,680,000 (31 December 2010: HK$15,835,000). Items of property, plant and equipment with a net book value of HK$Nil (six months ended 30 June 2010: approximately HK$999,000) were disposed of during the six months ended 30 June 2011, resulting in a profit on disposal of HK$Nil for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$100).

9. TRADE AND BILLS RECEIVABLES

The Group allows credit period ranging from 30 to 180 days (31 December 2010: 30 to 180 days) to its trade customers. The aging analysis of trade and bills receivables is as follows:

	30.6.2011 Unaudited HK$'000	31.12.2010 Audited HK$'000
0-30 days	**28,328**	36,437
31-60 days	**10,601**	2,493
61-90 days	**1,785**	53
91-180 days	**577**	5,602
Past due	**–**	4,330
Trade receivables	**41,291**	48,915
Bills receivables	**2,720**	–
Total trade and bills receivables	**44,011**	48,915

Included in the Group's trade receivables as at 30 June 2011 were debtors with an aggregate carrying amount of HK$Nil (31 December 2010: approximately HK$4,330,000) which were past due at the end of the reporting period.

10. TRADE PAYABLES

The average credit period on purchases of goods ranges from 30 to 180 days (31 December 2010: 30 to 180 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The aging analysis of trade payables is as follows:

	30.6.2011 Unaudited HK$'000	31.12.2010 Audited HK$'000
0-30 days	**8,021**	57,909
31-60 days	**6,870**	2,847
61-90 days	**21,521**	733
91-180 days	**2,193**	3,516
Past due	**478**	3,650
	39,083	68,655

11. SECURED BANK LOANS

	30.6.2011 Unaudited HK$'000	31.12.2010 Audited HK$'000
Bank loans	**46,526**	71,473
Bills payables	**91,845**	52,531
	138,371	124,004
Carrying amount repayable:		
Within one year	**138,371**	124,004

11. SECURED BANK LOANS *(Continued)*

All bank loans are denominated in Renminbi with variable interest rate from 5.1% to 8.5% (31 December 2010: 3.7% to 7.0%) per annum.

All bills payables advanced against bills discounted. The weighted average effective interest rate on the bills is prevailing bank interest rate (31 December 2010: Nil%) 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.

12. OBLIGATIONS UNDER FINANCE LEASE

The Group leased certain of its motor vehicle under finance lease. The average lease term is 3 years (31 December 2010: 3 years). Interest underlying all obligations under finance lease is at floating rate at respective contract dates per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	30.6.2011 Unaudited HK$'000	31.12.2010 Audited HK$'000	**30.6.2011 Unaudited HK$'000**	31.12.2010 Audited HK$'000
Amounts payable under finance lease:				
Within one year	**76**	74	**65**	60
In more than one year and not more than five years	**57**	93	**54**	86
In more than five years	**–**	–	**–**	–
	133	167	**119**	146
Less: future finance charges	**(14)**	(21)	**N/A**	N/A
Present value of lease obligations	**119**	146	**119**	146
Less: Amounts due for settlement within 12 months (shown under current liabilities)			**(65)**	(60)
Amounts due for settlement after 12 months			**54**	86

12. OBLIGATIONS UNDER FINANCE LEASE *(Continued)*

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Financial lease obligations are denominated in Renminbi, currency other than the functional currency of the relevant group entity.

13. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.0025 each at 1 January 2010 and 31 December 2010, 1 January 2011 and 30 June 2011	40,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.0025 each at 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 31 December 2010, 1 January 2011 and 30 June 2011	**15,454,685,376**	**38,637**

Note: 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 in year of 2010. There is no movement in the share capital during the period.

13. SHARE CAPITAL *(Continued)*

All the shares which were issued in the year of 2010 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.

14. OPERATING LEASE COMMITMENTS

The Group as Lessee

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK$'000	HK$'000
Lease payments paid in respect of rented premises paid under operating leases during the period	**876**	1,715

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:

	30.6.2011	31.12.2010
	Unaudited	Audited
	HK$'000	HK$'000
Within one year	**1,716**	1,774
In the second to fifth years inclusive	**–**	827
	1,716	2,601

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.

15. CAPITAL COMMITMENTS

	30.6.2011 Unaudited HK$'000	31.12.2010 Audited HK$'000
Commitments for the acquisition of prepaid leasehold land payments	3,817	–

16. 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.

Related parties	Nature of transactions	For the six months ended 30 June 2011 Unaudited HK$'000	2010 Unaudited HK$'000	Interested director
Wai Chun Group Holdings Limited	Administrative service income	–	(1,200)	Lam Ching Kui
	Interest (income)	–	(8)	
	Interest expenses	9	13	
Wai Chun Investment Fund	Interest expenses	1	–	Lam Ching Kui