Wai Chun Mining Industry Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 0660)

Annual Report 2011

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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

Lo Kam Fan

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

NOMINATION COMMITTEE

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

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

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

AUDITORS

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

On behalf of the board of directors (the "Board") of Wai Chun Mining Industry Group Company Limited (the "Company"). I would like to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 December 2011, the Group recorded a turnover of approximately HK$362,310,000 (2010: approximately HK$284,128,000), representing an increase of approximately 27.5% as compared to 2010. The Group recorded a gross profit and gross profit margin of approximately HK$51,487,000 and 14.2% respectively, representing an increase of approximately 52.5% and 19.3% respectively as compared to 2010. Operating expenses decreased by 16.8% from approximately HK$28,039,000 that recorded in 2010 to approximately HK$23,322,000 in 2011.

Loss attributable to shareholders of the Company amounted to approximately HK$3,729,000 as compared to the profit attributable to shareholders of approximately HK$20,305,000 in 2010. The reason for the loss was mainly due to the absence of the gain on disposal of subsidiaries approximately HK$40,809,000 of the Group recorded in 2010.

Footwear Business

The footwear business recorded a turnover of approximately HK$36,602,000 and a segmental loss of HK$2,074,000 in 2011 respectively, representing an increase of the turnover of approximately HK$3,399,000 and a segmental loss of approximately HK$1,871,000 respectively when compared to 2010.

Modified Starch and Other Biochemical Business

The modified starch business and other biochemical business has improved when compared to that of 2010, which contributed approximately HK$325,708,000 and approximately HK$30,846,000 to the Group's turnover and segmental profit respectively, representing an increase of approximately 30% and approximately 2.3 times respectively when compared to that of 2010.

Financial Resources and Position

As at 31 December 2011, the Group financed its operations mainly by internally generated resources and borrowings. The Group had net current assets of approximately HK$34,780,000 (2010: approximately HK$22,653,000) and cash and cash equivalents of approximately HK$45,151,000 (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 31 December 2011, the current ratio of the Group was approximately 1.2 times (2010: approximately 1.1 times).

As at 31 December 2011, total borrowings of the Group amounted to approximately HK$132,752,000, representing an increase of approximately 2.2% as compared to approximately HK$129,844,000 on 31 December 2010. Most of the 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% in 2010 to 34.7% as at 31 December 2011.

Bank deposits of approximately HK$34,762,000 (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 31 December 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 final dividend for the year ended 31 December 2011.

BUSINESS REVIEW

During the year 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 an increase in turnover during the year under review, it incurred a loss of approximately HK$2,074,000 during the year as a result of increase in administrative expenses.

Although the global economy has fluctuated during the year, the Group recorded an increase in turnover and gross profit mainly from the modified starch and other biochemical products business during the year under review. This was attributable to fully completion of its factory upgrade of production in the second half of 2010 and expansion of business for the year. The Group expects this trend to continue in 2012.

Memorandum of Understanding

On 20 November 2010, the Company entered into the Heads of Agreement ("HOA") with 廣西有色金屬集團有限公司("Guangxi Non-ferrous Metals Group Company Limited") and 廣西新思迪投資貿易有限公司 ("Guangxi Sincerity Investments & Trading Company Limited") together the Guangxi Parties in respect of the possible acquisitions of (i) 74% interest in a manganese mine and 100% interest in a trading company in South Africa; and (ii) the entire interest in two iron mines in the Kingdom of Cambodia. However, the HOA was terminated on 11 March 2011, as there were uncertainties in relation to the reorganisation and compliance with the relevant laws and regulations and the Company and the Guangxi Parties were unable to reach an ultimate agreement on the final structure and terms of definitive agreements. Please refer to the announcements dated 24 November 2010 and 11 March 2011 issued by the Company for details of the HOA and the termination agreement.

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 has confident that the performance of the operation of the modified starch and other biochemical products business would maintain the growth in the years to come. In this respect, the Company announced on 25 October 2011 has resolved to approve 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, Weifang Century-Light Biology Science Company Limited and its subsidiaries ("Weifang Century Group"), to amend some of the terms of the Sale and Purchase Agreement signed on 8 December 2009 (the "S&P Agreement") in relation to the purchase by the Group of the 51% equity interest of the Weifang Century Group in the Extraordinary General Meeting. 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 RMB8,000,000 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 Weifang Century Group for the two years ended 31 December 2011 is less than RMB20,000,000.

The aggregated audited net profit after tax of the Weifang Century Group for the two years ended 31 December 2011 was more than RMB20,000,000. In this respect, the terms of the Supplemental Agreement as mentioned above has been achieved. The Group believes that the Weifang Century Group would continue to contribute the better prospect to the shareholders of the Group in future years.

Lam Ching Kui
Chairman

Hong Kong, 29 March 2012

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lam Ching Kui, aged 53, has over 19 years of experience in project investments and securities investments. Mr. Lam has been engaged in industrial and residential property development in the PRC and commercial property investment in Hong Kong. He has made investments in listed securities and renewable energy. Mr. Lam is an indirect substantial shareholder of the Company and has been the Chairman and an Executive Director of the Company since December 2007. Mr. Lam is responsible for the overall strategic planning of the Group. Mr. Lam is also the chairman and an executive director of Wai Chun Group Holdings Limited ("Wai Chun Group"), a public listed company in Hong Kong.

Mr. Lu Jun Wu, aged 51, has substantial experience in investment, business and company administration management. Mr. Lu graduated from Zhejiang Ocean University in July 1982 and obtained an Executive MBA degree from China Europe International Business School in 2003. During 1982 to 1992, he has worked as a lecturer at Zhejiang Ocean University in Zhejiang, factory director at a factory in Haiku city and general manager at the same factory principally engaged in ceramic industry. During the years 1992 to 2007, he has worked in Vantone Group as the Group President and Vice Director. Vantone Group was principally engaged in real estate business in Beijing. Since 2007, he has been working in Wai Chun Investment Fund as Executive Director, Wai Chun Investment Fund is the beneficial owner of major shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tony Chan Chun Wai, aged 40, is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He is a director in a CPA practice. He has extensive experience in audit assurance and business advisory services with clients operating in a variety of industries in both Hong Kong and the PRC. Moreover, Mr. Chan also has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisition as well as corporate finance. Before commencing his own practice, Mr. Chan has worked in major international accounting firms and a listed company. Mr. Chan is an independent non-executive director of Hans Energy Company Limited, Oriental City Group Holdings Limited and Honbridge Holdings Limited, whose shares are listed on the Stock Exchange. He is also an independent non-executive director of China Nutrifruit Group Limited, a company listed in NYSE AMEX. Mr. Chan has been an Independent Non-executive Director of the Company since May 2007.

Mr. Shaw Lut, Leonardo, aged 46, is the deputy head of 華頓綜合經濟研究所 (Huadun Economic Institute), the director of 行政及公務人員研修基金 (Administrator and Official Study Fund), the vice director of 國務院發展研究中心東方公共管理綜合研究所專家委員會 (the Expert Committee of the Eastern Public Management Institute of the Development Research Centre of State Council). Mr. Shaw graduated from Shanghai Fudan University and was a teacher and researcher at Fudan University. Mr. Shaw is currently a committee member of All-China Youth Federation, the deputy chairman of Beijing United Youth Association and the deputy chairman of Internet Professional Association, Hong Kong. Mr. Shaw has been an Independent Non-executive Director of the Company since February 2007. Mr. Shaw is also an independent non-executive director of Wai Chun Group.

Mr. Wong Wai Man, Raymond, aged 61, holds a Doctor's degree in Business Administration in the University of Newcastle, Australia. He also holds two Bachelor degrees of Laws in the PRC and UK respectively and has been awarded five Master degrees in Comparative Law, Chinese Laws, Management, Information Systems and Business Administration from universities in U.K., Hong Kong and the PRC. He served the Immigration Department of the Hong Kong Special Administrative Region for over 35 years. He joined the Department in May 1972 and was the Assistant Director of the Immigration Department in charge of development and management of information systems and related matters from 2002 till October 2007 when he retired. He was also the Chairman of the IT Division of the Hong Kong Institution of Engineers, 2006/07 session. He has been the part-time lecturer at the Chinese University of Hong Kong since 1998 and the Visiting Professor of the Jiaotung University in Shanghai, the PRC, since March 2007. Mr. Wong has been an Independent Non-executive Director of the Company since November 2009.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding and the principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Company's principal activities during the year.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the financial statements on pages 26 to 89.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity set out on page 29.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2011 is set out on page 90.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

DIRECTORS

Executive Directors

Mr. Lam Ching Kui *(Chairman)*
Mr. Lu Jun Wu *(Chief Executive Officer) (Appointed on 20 June 2011)*
Mr. Guo Qing Hua *(Chief Executive Officer) (Resigned on 20 June 2011)*

Independent Non-executive Directors

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

The biographical details of the Directors of the Company are set out on pages 6 to 7 of this Annual Report.

In accordance with Article 99 of the Articles of Association of the Company, Mr. Chan Chun Wai, Tony and Mr. Shaw Lut, Leonardo shall retire from office by rotation at the forthcoming Annual General Meeting of the Company ("AGM") and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

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

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

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

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

All the current Independent Non-executive Directors are entitled to HK$120,000 per annum as directors' fee (without any bonus payment).

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

INTERESTS IN CONTRACTS

Other than as disclosed in note 34 to the financial statements, there are no contract of significance to which the Company, its holding company, fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS

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

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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

Name of Director	Capacity	Number of Shares Held	Approximate percentage of shareholding
Mr. Lam Ching Kui	Interests of controlled corporations	9,660,064,320	62.51%
Mr. Lu Jun Wu	Beneficial owner	162,188,000	1%

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 31 December 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.

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 31 December 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 executives 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 *(Note 1)*	Interests of controlled corporations	9,660,064,320	62.51%
Chinese Success Limited *(Note 1)*	Beneficial owner	9,660,064,320	62.51%
Onward Global Investments Limited *(Note 2)*	Beneficial owner	1,286,350,000	8.32%
Spring Garden Investments Limited *(Note 3)*	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 31 December 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 31 December 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 31 December 2011, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

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. The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS will remain in force for a period of 10 years commencing on 10 June 2003.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the date of approval of the SOS without prior approval from the Company's shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the SOS must be taken up within 28 days of the date of grant, upon payment of HK$10.00 per grant.

As at 31 December 2011, no share option was granted under the SOS and no share option was lapsed or cancelled during the year.

CONNECTED TRANSACTION

A Tenancy Agreement was entered into between Wai Chun Holdings Group Limited as landlord and Wai Chun Incorporation Limited, a wholly owned subsidiary of the Company, as tenant on 31 October 2011 in relation to the left portion of 13/F, Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong, the principal place of business in Hong Kong. The term of the Tenancy Agreement commences from 1 November 2011 and expiring on 31 October 2013, both days inclusive, with a rental of HK$265,675 per calendar month (equivalent to HK$3,188,100 per annum), exclusive of management fee, rates and all other outgoing charges per calendar month.

Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam Ching Kui and as to the remaining 50% by Ms. Chan Oi Mo. Mr. Lam Ching Kui is a controlling shareholder of the Company and is interested in approximately 62.51% of the issued share capital of the Company and Ms. Chan Oi Mo is the spouse of Mr. Lam Ching Kui. Accordingly, Wai Chun Holdings Group Limited is regarded as a connected person of the Company under the Listing Rules. Therefore, the Tenancy Agreement constitutes a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules.

The aggregate rental payable under the Tenancy Agreement per annum, being HK$3,188,100, represents less than 5% of the applicable percentage ratios (as defined in the Listing Rules) for the Company on an annual basis. Accordingly, pursuant to Rule 14A.34 of the Listing Rules, the Tenancy Agreement is subject to reporting, announcement and annual review requirements but no approval of independent shareholders of the Company will be required.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the above continuing connected transactions and in their opinion, the transactions are:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board has also confirmed that a letter pursuant to Rule 14A.38 of the Listing Rules has been issued to the Board by the auditors of the Company.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 25.86% of total turnover and sales to the largest customer accounted for approximately 6.90%. The five largest suppliers of the Group in aggregate accounted for about 55.11% of its operating costs for the year. Purchases from the largest supplier accounted for about 35.67% of its operating costs. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's Share capital) had any interest in the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

EMOLUMENT POLICY

As at 31 December 2011, the Group had a total of 144 employees, the majority of whom are situated in the 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.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes is set out in note 35 to the consolidated financial statements and under the heading "Share Option Schemes of the Company" in this report.

CORPORATE GOVERNANCE

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2011 have been audited by Messrs. HLM & Co., Certified Public Accountants. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Lam Ching Kui
Chairman

Hong Kong, 29 March 2012

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices. The Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company complied with the code provisions as set out in the Code throughout the year ended 31 December 2011 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.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board comprises five members as follows:

Executive Directors

Mr. Lam Ching Kui *(Chairman)*
Mr. Lu Jun Wu *(Chief Executive Officer)* (Appointed on 20 June 2011)
Mr. Guo Qing Hua *(Chief Executive Officer)* (Resigned on 20 June 2011)

Independent Non-executive Directors

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

Responsibilities

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

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

With the support of the Chief Executive Officer and the management team, the Chairman seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and receive adequate and reliable information in relation to matters discussed at Board meetings and also other affairs of the Group on a timely basis.

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

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

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each Independent Non-executive Director has confirmed, in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules that he is independent of the Company and the Company also considers that they are independent.

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

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of the Board, senior management and shareholders;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

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

APPOINTMENT/RE-ELECTION OF REMOVAL OF DIRECTORS

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

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

BOARD PROCESS

During the year ended 31 December 2011, the Board held 4 regular board meetings. In addition, board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are usually attended by executive directors only. The Directors participated in person or through electronic means of communication. The attendance of each Director is set out as follows:

Name of Director	**Number of meetings attended/held**
Executive Directors	
Mr. Lam Ching Kui *(Chairman)*	3/4
Mr. Lu Jun Wu *(Chief Executive Officer)* (Appointed on 20 June 2011)	1/4
Mr. Guo Qing Hua *(Chief Executive Officer)* (Resigned on 20 June 2011)	2/4
Independent Non-executive Directors	
Mr. Shaw Lut, Leonardo	4/4
Mr. Chan Chun Wai, Tony	4/4
Mr. Wong Wai Man, Raymond	3/4

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

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

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

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises one Executive Director and three Independent Non-executive Directors.

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

During the year ended 31 December 2011, the Remuneration Committee held 2 meetings, with attendance record as follows:

Name of Director	**Number of meetings attended/held**
Mr. Chan Chun Wai, Tony	2/2
Mr. Lu Jun Wu *(Chief Executive Officer)* (Appointed on 20 June 2011)	1/2
Mr. Guo Qing Hua *(Chief Executive Officer)* (Resigned on 20 June 2011)	1/2
Mr. Shaw Lut, Leonardo	2/2
Mr. Wong Wai Man, Raymond	1/2

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

AUDIT COMMITTEE

The Audit Committee comprises Mr. Chan Chun Wai, Tony, Mr. Shaw Lut, Leonardo and Mr. Wong Wai Man, Raymond, all of whom are Independent Non-executive Directors.

The Audit Committee reports directly to the Board and reviews financial statements and internal control, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor to discuss various accounting issues, and reviews the effectiveness of internal controls. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

During the year ended 31 December 2011, the Audit Committee held 2 meetings, with attendance record as follows:

Name of Director	Number of meetings attended/held
Mr. Chan Chun Wai, Tony	2/2
Mr. Shaw Lut, Leonardo	2/2
Mr. Wong Wai Man, Raymond	1/2

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 December 2010 and the interim report for the six months ended 30 June 2011 respectively. The Audit Committee has also reviewed the Group accounting principles and practices, Listing Rules and statutory compliance, internal controls and financial reporting matters. The Committee is satisfied with their review of the independence of the Auditors and their audit process for 2011 audit and recommended the Board their re-appointment in 2012 at the forthcoming Annual General Meeting.

The Group's results and financial statements for the year ended 31 December 2011 have been reviewed by the Audit Committee.

ESTABLISHMENT OF NOMINATION COMMITTEE

A nomination committee of the Company (the "Nomination Committee") comprising Mr. Shaw Lut, Leonardo as the Chairman, Mr. Lam Ching Kui, Mr. Chan Chun Wai, Tony and Mr. Wong Wai Man, Raymond as members has been established by the Board with written terms of reference with effect from 29 March 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2011.

EXTERNAL AUDITORS AND THEIR REMUNERATION

HLM & Co. retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLM & Co. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

The external auditors of the Company is HLM & Co. provided services in respect of the audit of Company's financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2011. HLM & Co. also reviewed the 2011 unaudited interim financial information of the Company, which was prepared in accordance with HKFRSs.

The total fees charged by HLM & Co. in respect of audit services for the year ended 31 December 2011 amounted to HK$500,000.

Description of non-audit services performed by HLM & Co.	**Fee Paid** *HK$*
(1) Interim review of financial statements of the Company and its subsidiaries for the six months ended 30 June 2011	128,000

DIRECTORS' RESPONSIBILITY IN PREPARING FINANCIAL STATEMENTS

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

The statement of the Auditor of the Company regarding their reporting responsibilities for the financial statements is set out in the Independent Auditors' Report on pages 24 to 25 of this Annual Report.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorised use of disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliances with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

The Directors acknowledge their responsibilities to ensure a sound and effective internal control system designed to facilitate efficient operations and to provide reasonable assurance in the financial reporting and compliance with applicable laws and regulations.

During the internal control system review performed in 2011, the Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function. There are no material internal controls deficiencies that may affect the shareholders of the Company have come to the attention of the Audit Committee or the Board. They considered that the system had effectively safeguarded the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

SHAREHOLDERS COMMUNICATION

The Directors are aware of the importance of maintaining good relations and communications with shareholders. The Company uses a range of communication tools, such as the Annual General Meeting (the "AGM"), the annual report, the interim report, various notices and announcements and circulars to ensure its shareholders are kept well informed of key business imperatives. The AGM allows the Directors to meet and communicate with shareholders. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

To further promote effective communication, the corporate website is maintained to disseminated Company's announcements and other relevant financial and non-financial information electronically on a timely basis through the website of the Company, www.0660.hk and the Stock Exchange, www.hkex.com.hk.

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)

We have audited the consolidated financial statements of Wai Chun Mining Industry Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 89, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2011, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants
Hong Kong
29 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	7	**362,310**	284,128
Cost of sales		**(310,823)**	(250,360)
Gross profit		**51,487**	33,768
Other revenue	8	**9,673**	2,502
Selling expenses		**(12,170)**	(19,149)
Administrative expenses		**(23,322)**	(28,039)
Realised loss on disposal of held for trading investments		**—**	(2,054)
Gain on disposal of subsidiaries	28	**3,476**	40,809
Finance costs	10	**(5,299)**	(3,539)
Profit before taxation		**23,845**	24,298
Taxation	11	**(10,028)**	(893)
Profit for the year	12	**13,817**	23,405
(Loss) profit attributable to:			
— Shareholders of the Company		**(3,729)**	20,305
— Non-controlling interests		**17,546**	3,100
		13,817	23,405
Dividend	14	**—**	—
(Loss) earnings per share	15	***HK cents***	*HK cents*
— Basic		**(0.02)**	0.13
— Diluted		**(0.02)**	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**13,817**	23,405
Other comprehensive income:		
Exchange differences on translation	**2,284**	1,034
Total comprehensive income for the year	**16,101**	24,439
Total comprehensive (expense) income attributable to:		
— Shareholders of the Company	**(2,776)**	20,765
— Non-controlling interests	**18,877**	3,674
	16,101	24,439

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**21,743**	15,091
Prepaid leasehold land payments	17	**7,986**	7,768
		29,729	22,859
Current assets			
Inventories	18	**41,122**	46,334
Prepaid leasehold land payments	17	**164**	159
Trade and bills receivables	19	**29,191**	48,915
Deposits, prepayments and other receivables	20	**107,047**	102,532
Bank balances and cash	21	**45,151**	93,479
		222,675	291,419
Current liabilities			
Trade payables	22	**19,243**	68,655
Accruals and other payables	23	**25,977**	68,341
Tax payable		**9,942**	2,012
Amounts due to an ultimate holding company	24	**14,534**	—
Borrowings — due within one year	25	**118,141**	124,004
Obligations under finance lease	26	**58**	60
Bank overdrafts	21	**—**	5,694
		187,895	268,766
Net current assets		**34,780**	22,653
Total assets less current liabilities		**64,509**	45,512
Non-current liability			
Obligations under finance lease	26	**19**	86
Total assets less liabilities		**64,490**	45,426
Capital and reserves			
Share capital	27	**38,637**	38,637
Reserves		**(14,111)**	(11,335)
Equity attributable to Shareholders of the Company		**24,526**	27,302
Non-controlling interests		**39,964**	18,124
Total equity		**64,490**	45,426

The consolidated financial statements on pages 26 to 89 were approved and authorised for issue by the Board of Directors on 29 March 2012 and are signed on its behalf by:

Lam Ching Kui
Director

Lu Jun Wu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Translation reserve HK$'000	Accumulated losses HK$'000	Attributable to shareholders of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	32,197	75,924	10,503	–	(184,722)	(66,098)	(20,980)	(87,078)
Profit for the year	–	–	–	–	20,305	20,305	3,100	23,405
Other comprehensive income for the year	–	–	–	460	–	460	574	1,034
Total comprehensive income for the year	–	–	–	460	20,305	20,765	3,674	24,439
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 31 December 2010	**38,637**	**145,716**	**6,906**	**460**	**(164,417)**	**27,302**	**18,124**	**45,426**
(Loss) profit for the year	**–**	**–**	**–**	**–**	**(3,729)**	**(3,729)**	**17,546**	**13,817**
Other comprehensive income for the year	**–**	**–**	**–**	**953**	**–**	**953**	**1,331**	**2,284**
Total comprehensive income for the year	**–**	**–**	**–**	**953**	**(3,729)**	**(2,776)**	**18,877**	**16,101**
Change in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**2,963**	**2,963**
At 31 December 2011	**38,637**	**145,716**	**6,906**	**1,413**	**(168,146)**	**24,526**	**39,964**	**64,490**

Note:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit for the year	**13,817**	23,405
Adjustments for:		
Finance costs	**5,299**	3,539
Interest income	**(994)**	(61)
Depreciation on property, plant and equipment	**1,498**	1,527
Amortisation on prepaid leasehold land payments	**167**	248
Realised loss on disposal of held for trading investments	**—**	2,054
Discount on acquisition of subsidiaries	**—**	(109)
Gain on disposal of subsidiaries	**(3,476)**	(40,809)
Net loss on disposal of property, plant and equipment	**20**	—
Taxation	**10,028**	893
Operating cash flows before movements in working capital	**26,359**	(9,313)
Decrease (increase) in inventories	**7,511**	(28,643)
Decrease (increase) in trade and bills receivables	**21,982**	(32,345)
Decrease (increase) in deposits, prepayments and other receivables	**25**	(93,012)
(Decrease) increase in trade payables	**(52,755)**	56,773
(Decrease) increase in accruals and other payables	**(45,579)**	72,175
Cash used in operations	**(42,457)**	(34,365)
Tax paid	**(2,198)**	(302)
Net cash used in operating activities	**(44,655)**	(34,667)
Investing activities		
Interest received	**994**	61
Acquisition of subsidiaries	**—**	(5,724)
Proceeds from disposal of property, plant and equipment	**40**	999
Purchase of property, plant and equipment	**(7,496)**	(4,002)
Increase in prepaid leasehold land payments	**—**	(235)
Proceeds from disposal of held for trading investments	**—**	13,436
Proceeds from disposal of subsidiaries	**3,476**	(85)
Net cash (used in) generated from investing activities	**(2,986)**	4,450

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Financing activities		
Interest paid	**(5,299)**	(3,539)
Repayment of borrowings	**(465,370)**	(204,714)
New borrowings raised	**453,488**	299,901
Proceeds from finance leases	**—**	146
Repayment of obligations under finance lease	**(69)**	—
Increase (decrease) in amounts due to an ultimate holding company	**14,534**	(56,106)
Decrease in amounts due to a director	**—**	(4,754)
Decrease in amounts due to a related company	**—**	(251)
Issue of shares upon open offer	**—**	76,232
Increase in funding from non-controlling interests	**2,963**	—
Net cash generated from financing activities	**247**	106,915
Net (decrease) increase in cash and cash equivalents	**(47,394)**	76,698
Effects of foreign exchange rate changes	**4,760**	77
Cash and cash equivalents at the beginning of the year	**87,785**	11,010
Cash and cash equivalents at the end of the year	**45,151**	87,785
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**45,151**	93,479
Bank overdrafts	**—**	(5,694)
	45,151	87,785

1. GENERAL

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 "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars for the convenience of the investors as its shares are listed on the Stock Exchange.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") 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 ultimate holding company of the Group is Wai Chun Investment Fund ("Wai Chun"), a private investment fund incorporated in the Cayman Islands with limited liability.

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

The following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years, except as described below.

Application of new and revised standards and interpretations

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 and HKAS 1
HKFRS 1(Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 3 (Amendments)	Business Combination (2008) — Improvements to HKFRSs (2010)
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised 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 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

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

New and revised HKFRSs in issue but not yet effective *(Continued)*

[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.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. The amendments made in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) — Int 12 *Consolidation — Special Purpose Entities*. 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) the 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.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of new or revised standards, amendments and interpretations will have no material impact on results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is the amounts received and receivable for goods sold net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sub-letting income/rental income is recognised on a straight-line basis over the term of the relevant lease.

Administrative income is recognised when services have been provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid leasehold land payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange difference arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful life of the related assets.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rate.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Share options granted by the Company

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Share options granted by the Company *(Continued)*

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful life, using the straight-line method. The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets other than goodwill

At the end of each of reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories, including an appropriate portion of fixed and variable overhead expenses, are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL) and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earning on the financial asset and is included in the "other gains and losses" line item in the consolidated income statement. Fair value is determined in the manner described in note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and bills receivables, deposits, prepayments and other receivables, bank balances and cash, and other) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and bills receivables, deposits, prepayments and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is revered does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in the consolidated income statement. Fair value is determined in the manner described in note 6.

Other financial liabilities

Other financial liabilities (including accruals, other payables, borrowings and other) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognise an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

The Group's net carrying values of property, plant and equipment as at 31 December 2011 were approximately HK$21,743,000 (2010: approximately HK$15,091,000). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful life of 2 years to 25 years and after taking into account of their estimated residual values, using the straight-line method, at the rate of 4% to 50% per annum, commencing from the date in which the property, plant and equipment are available for use. The estimated useful life that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for bad and doubtful debts

Management regularly reviews and judges the recoverability and/or age of receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the asset is impaired.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounts using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (which includes borrowings and obligations under finance lease net of cash and cash equivalents) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

5. CAPITAL RISK MANAGEMENT *(Continued)*

Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	2011	2010
	HK$'000	*HK$'000*
Debts *(Note a)*	**132,752**	124,150
Cash and cash equivalents *(see note 21)*	**(45,151)**	(87,785)
Net debt	**87,601**	36,365
Equity *(Note b)*	**64,490**	45,426
Net debt to equity ratio	**136%**	80%

Notes:

(a) Debt comprises amount due to an ultimate holding company, borrowings and obligations under finance lease as detailed in notes 24, 25 and 26 respectively.

(b) Equity includes all capital and reserves attributable to owners of the Company and non-controlling interests.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**181,389**	244,926
Financial liabilities		
Other financial liabilities at amortised cost	**177,972**	266,840

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits, prepayment and other receivables, bank balances and cash, trade payables, accruals and other payables, borrowings and amounts due to an ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk, interest rate risk and equity price risk) and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised trade receivables as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has concentration of credit risk as 45% (2010: 13%) and 67% (2010: 31%) of the total trade and bills receivables which was due from the Group's largest customer and the three largest customers respectively. The Group's concentration of credit risk by geographical locations is mainly in The People's Republic of China (the "PRC") and The Republic of Korea (the "Korea"), which accounted for 100% (2010: 79%) of the total receivables as at 31 December 2011.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

None of the Group's financial assets are secured by collateral or other credit enhancements.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Foreign currency risk

The Group's foreign currency assets, liabilities and transactions are principally denominated in United States dollars ("USD") and Renminbi ("RMB"). These currencies are not the functional currencies of the Group entities to which these balances relate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**10,576**	10,575	**—**	—
RMB	**164,475**	227,246	**158,146**	261,996
	175,051	237,821	**158,146**	261,996

The Group currently does not have a foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Foreign currency risk *(Continued)*

Sensitivity analysis

The Group is mainly exposed to RMB. Since Hong Kong dollar ("HK$") is directly linked to the value of USD, risk exposed to the Group in this respect will not be significant.

The following table details the Group's sensitivity to a 4% (2010: 4%) increase or decrease in HK$ against RMB. 4% (2010: 4%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. A positive number below indicates an increase in post-tax profit (loss) with a 4% weakening of HK$ (2010: 4%) against RMB. For a 4% (2010: 4%) strengthening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit (loss), and the balances below would be negative.

	2011	2010
	HK$'000	*HK$'000*
Profit (loss) for the year	**253**	1,390

The Group's sensitivity to RMB has increased during the current year mainly due to the increase in RMB denominated receivables and payables as at 31 December 2011.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings and fixed rate bills payables. Except for the variable rate bills payables, it is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The Group's exposure to cash flow interest risk is minimal.

The Group is also exposed to fair value interest rate risk in relation to amounts due to an ultimate holding company. The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2010: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2010: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would increase/decrease by approximately HK$875,000 (profit for the year ended 31 December 2010: approximately HK$369,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group had net current assets and equity attributable to owners of the Company of approximately HK$34,780,000 and HK$24,526,000 respectively as at 31 December 2011.

The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

	0 to 180 days HK$'000	181 to 365 days HK$'000	Over 1 year HK$'000	Carrying value HK$'000
2011				
Non-derivative financial liabilities				
Trade payables	**16,556**	**912**	**1,775**	**19,243**
Accruals and other payables	**25,977**	**—**	**—**	**25,977**
Amounts due to an ultimate holding company	**14,534**	**—**	**—**	**14,534**
Borrowings — due within one year	**113,207**	**4,934**	**—**	**118,141**
Obligations under finance lease	**29**	**29**	**19**	**77**
	170,303	**5,875**	**1,794**	**177,972**

	0 to 180 days HK$'000	181 to 365 days HK$'000	Over 1 year HK$'000	Carrying value HK$'000
2010				
Non-derivative financial liabilities				
Trade payables	65,005	3,392	258	68,655
Accruals and other payables	68,341	—	—	68,341
Bank overdrafts	5,694	—	—	5,694
Borrowings – due within one year	117,993	6,011	—	124,004
Obligations under finance lease	29	31	86	146
	257,062	9,434	344	266,840

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Financial instruments carried at fair value

The carrying value of financial instruments measured at fair value at 31 December 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

At 31 December 2011, the Group did not have any financial instruments carried at fair value all of which are based on the Level 1 for the fair value hierarchy.

During the year ended 31 December 2011, there were no transfers between financial instruments in Level 1 and 2.

At 31 December 2011, the Group did not have any financial instruments with fair value calculated based on Level 3 of the fair value hierarchy.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

7. TURNOVER

Turnover represents the amounts received and receivable for goods sold net of discounts and sales related taxes. An analysis of the Group's revenue for the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue from modified starch and other biochemical products	**325,708**	250,925
Revenue from footwear	**36,602**	33,203
	362,310	284,128

See note 9 of an analysis of revenue by major products.

8. OTHER REVENUE

	2011	2010
	HK$'000	*HK$'000*
Interest income	**994**	61
Rental income *(Note a)*	**2,551**	—
Administrative income	—	1,200
Agency income	**1,158**	—
Discount on acquisition of subsidiaries	—	109
Gain on exchange	**199**	—
Government grants *(Note b)*	**4,078**	1,060
Others	**693**	72
	9,673	2,502

Note a: During the year, the PRC subsidiaries rented out portions of plant and machinery to outsiders.

Note b: Government grants mainly represent supporting funds granted by the local government of PRC to the subsidiaries as an allowance for operation of the specific business.

9. 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.

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 (loss) represents profit earned or loss incurred by each segment without allocation of other revenue, gain on disposal of subsidiaries, 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.

9. 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:

	2011			2010		
	Modified starch and other biochemical products	Footwear	Consolidated	Modified starch and other biochemical products	Footwear	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	325,708	36,602	362,310	250,925	33,203	284,128
Segment results	30,846	(2,074)	28,772	9,247	(203)	9,044
Other revenue			13,149			43,311
Unallocated expenses			(12,777)			(24,518)
Finance costs			(5,299)			(3,539)
			23,845			24,298
Taxation			(10,028)			(893)
Profit for the year			13,817			23,405

Revenue reported above represents revenue generated from external customers. There was no inter-segment sale during the year (2010: HK$Nil).

9. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment assets and liabilities

	2011			2010		
	Modified starch and other biochemical products	Footwear	Consolidated	Modified starch and other biochemical products	Footwear	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Segment assets	234,725	4,399	239,124	296,561	6,589	303,150
Unallocated assets			13,280			11,128
Consolidated assets			252,404			314,278
Liabilities						
Segment liabilities	168,088	214	168,302	264,007	1,413	265,420
Unallocated liabilities			19,612			3,432
Consolidated liabilities			187,914			268,852
Geographical assets						
Hong Kong			17,712			17,775
PRC			234,692			296,503
			252,404			314,278

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

- all assets are allocated to reportable segments other than 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.

9. SEGMENT INFORMATION *(Continued)*

Other information

	2011			
	Modified starch and other biochemical products *HK$'000*	**Footwear** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Additions to non-current assets	**6,707**	**789**	**—**	**7,496**
Depreciation and amortisation	**1,581**	**41**	**43**	**1,665**
Prepayments	**89,052**	**14**	**—**	**89,066**

	2010			
	Modified starch and other biochemical products *HK$'000*	Footwear *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'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

9. SEGMENT INFORMATION *(Continued)*

Geographical information

For the year ended 31 December 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		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**36,602**	33,203	**799**	86
Korea	**123,844**	111,928	**—**	—
PRC	**141,851**	95,381	**28,930**	22,773
Others	**60,013**	43,616	**—**	—
	362,310	284,128	**29,729**	22,859

Information on major customers

For the year ended 31 December 2011 and 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

Included in costs of sales arising from purchases of modified starch and other biochemical products from Weifang Shengtai Pharmaceutical Co., Ltd. was approximately HK$110,858,000 (2010: approximately HK$112,877,000) which arose from purchases from the Group's largest supplier. No other single supplier contributed 10% or more to the Group's purchases for 2011 and 2010.

10. FINANCE COSTS

	2011 *HK$'000*	2010 *HK$'000*
Interest on:		
— Bank loan, bank overdrafts and bills payables wholly repayable within five years	**4,920**	3,511
— Finance leases	**15**	15
— Short-term loan from an ultimate holding company	**254**	—
— Short-term loan from a related company	**9**	13
— Short-term loan from an independent third party	**101**	—
	5,299	3,539

11. TAXATION

	2011 *HK$'000*	2010 *HK$'000*
Tax expenses attributable to the Company and its subsidiaries:		
Current tax:		
Hong Kong	**—**	—
PRC	**9,723**	1,734
	9,723	1,734
Under (over)-provision in prior years:		
Hong Kong	**—**	(1,005)
PRC	**305**	164
	305	(841)
Total income tax recognised in profit or loss	**10,028**	893

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2010: 25%).

11. TAXATION *(Continued)*

The taxation for the years can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**23,845**	24,298
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**3,935**	4,009
Effect of different tax rates of subsidiaries operating in other jurisdiction	**3,306**	564
Tax effect of expenses not deductible for tax purpose	**6**	389
Tax effect of income not taxable for tax purpose	**—**	(6,753)
Tax effect of deductible temporary differences not recognised	**(81)**	186
Tax effect of tax losses not recognised	**2,557**	3,339
Under-provision for prior year in PRC	**305**	164
Over-provision for prior year in Hong Kong	**—**	(1,005)
Taxation for the year	**10,028**	893

At 31 December 2011, the Group has unused tax losses of approximately HK$99,531,000 (2010: approximately HK$84,084,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams of the Group. The losses may be carried forward indefinitely.

12. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**500**	516
Interest expenses	**5,299**	3,539
Depreciation on property, plant and equipment	**1,498**	1,527
Amortisation on prepaid leasehold land payments	**167**	248
Realised loss on disposal of held for trading investments	**—**	2,054
Staff costs (including directors' emoluments and retirement benefit costs)	**8,948**	7,391
And after crediting:		
Interest income	**994**	61
Gain on disposal of subsidiaries	**3,476**	40,809

13. DIRECTORS' EMOLUMENTS

(a) The aggregate amounts of emoluments payable to directors of the Company during the year were as follows:

	2011	2010
	HK$'000	*HK$'000*
Fees	**360**	360
Other emoluments:		
Basic salaries, other allowance and benefits in kind	**3,127**	2,860
Retirement benefit costs		
— Defined contribution retirement plans	**17**	25
	3,144	2,885
Total emoluments	**3,504**	3,245

13. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Directors' emoluments

The emoluments paid or payable to each of the six (2010: five) directors were as follows:

		Other emoluments		
	Directors' fees	Basic salaries, other allowance and benefits in kind	Defined contribution retirement plans	2011 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive				
Lam Ching Kui	—	2,800	12	2,812
Guo Qing Hua[1]	—	117	5	122
Lu Jun Wu[2]	—	210	—	210
Independent Non-executive				
Shaw Lut, Leonardo	120	—	—	120
Chan Chun Wai, Tony	120	—	—	120
Wong Wai Man, Raymond	120	—	—	120
Total for 2011	360	3,127	17	3,504

13. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Directors' emoluments *(Continued)*

		Other emoluments		
	Directors' fees	Basic salaries, other allowance and benefits in kind	Defined contribution retirement plans	2010 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive				
Lam Ching Kui	—	2,600	12	2,612
Guo Qing Hua[1]	—	260	13	273
Independent Non-executive				
Shaw Lut, Leonardo	120	—	—	120
Chan Chun Wai, Tony	120	—	—	120
Wong Wai Man, Raymond	120	—	—	120
Total for 2010	360	2,860	25	3,245

1. Resigned on 20 June 2011
2. Appointed on 20 June 2011

No director waived or agreed to waive any emoluments during the two years ended 31 December 2011 and 2010.

13. DIRECTORS' EMOLUMENTS *(Continued)*

(c) During the year, of the five highest paid individuals in the Group, three (2010: two) executive directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2010: three) individuals were as follows:

	2011	2010
	HK$'000	*HK$'000*
Basic salaries, other allowance and benefits in kind	**912**	1,589
Retirement benefit costs		
— Defined contribution retirement plans	**18**	35
	930	1,624

The emoluments of the aforementioned two (2010: three) highest paid individuals were within the band of nil to HK$1,000,000 for both years.

No emoluments were paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during each of the two years ended 31 December 2011 and 2010.

14. DIVIDEND

No dividend was paid or proposed during 2011 and 2010, nor has any dividend been proposed since the end of the reporting period.

15. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share was based on the Group's loss attributable to shareholders of the Company of approximately HK$3,729,000 (2010: profit for the year approximately HK$20,305,000) and the weighted average number of ordinary shares of 15,454,685,376 (2010: 15,221,806,555) during the year.

The diluted earnings per share is not presented because there were no potential dilutive shares during each of the years ended 31 December 2011 and 2010.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements, furniture and fixtures	Machinery and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2010	—	—	3,360	109	3,008	6,477
Acquisition of subsidiaries	4,428	1,191	18	5,771	425	11,833
Exchange difference	154	42	—	200	14	410
Additions	425	494	21	2,739	323	4,002
Disposals/written off	—	—	—	—	(2,156)	(2,156)
At 31 December 2010 and 1 January 2011	5,007	1,727	3,399	8,819	1,614	20,566
Exchange difference	249	85	2	433	38	807
Additions	1,568	3,126	870	821	1,111	7,496
Disposals/written off	—	—	—	(75)	—	(75)
Transfer	1,004	(2,301)	—	1,297	—	—
At 31 December 2011	7,828	2,637	4,271	11,295	2,763	28,794
ACCUMULATED DEPRECIATION						
At 1 January 2010	—	—	2,905	65	1,793	4,763
Acquisition of subsidiaries	22	—	6	123	160	311
Exchange difference	6	—	—	17	8	31
Charge for the year	231	—	373	586	337	1,527
Disposals/written off	—	—	—	—	(1,157)	(1,157)
At 31 December 2010 and 1 January 2011	259	—	3,284	791	1,141	5,475
Exchange difference	19	—	1	54	19	93
Charge for the year	299	—	98	943	158	1,498
Disposals/written off	—	—	—	(15)	—	(15)
At 31 December 2011	577	—	3,383	1,773	1,318	7,051
NET CARRYING VALUES						
At 31 December 2011	7,251	2,637	888	9,522	1,445	21,743
At 31 December 2010	4,748	1,727	115	8,028	473	15,091

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis less their residual values at the following rates per annum:

Buildings	Over the shorter of the term of the lease, or 15 — 25 years
Construction in progress	Nil
Leasehold improvements, furniture and fixtures	12.5%-33.33%
Machinery and equipment	10%-50%
Motor vehicles	20%-25%

17. PREPAID LEASEHOLD LAND PAYMENTS

	2011	2010
	HK$'000	*HK$'000*
NET BOOK VALUE		
At 1 January	**7,927**	—
Acquisition of subsidiaries	**—**	7,674
Additions	**—**	235
Exchange difference	**390**	266
Amortisation	**(167)**	(248)
At 31 December	**8,150**	7,927
Analysed for reporting purposes as:		
Current assets	**164**	159
Non-current assets	**7,986**	7,768
	8,150	7,927

The leasehold land is held under medium-term lease and situated in PRC for the purpose of industrial construction.

18. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	**1,902**	458
Finished goods	**39,220**	45,876
	41,122	46,334

19. TRADE AND BILLS RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**29,044**	48,915
Bills receivables	**147**	—
Total trade and bills receivables	**29,191**	48,915

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

	2011 HK$'000	2010 HK$'000
0-30 days	**17,922**	36,437
31-60 days	**111**	2,493
61-90 days	**7,041**	53
91-180 days	**3,740**	5,602
Past due	**377**	4,330
Total	**29,191**	48,915

Included in the Group's trade and bills receivables as at 31 December 2011, an aggregate carrying amount of approximately HK$28,814,000 was trade debt with credit terms verified under credit procedures. The Group did not hold any collateral over these balances nor did it have a legal right of offset against any amounts owed by the Group to the counterparties. Amount of approximately HK$377,000 were past due at the end of the reporting period, these amounts were come from export tax refund which were still waiting for approval of the PRC government. The Group had not recognised an allowance for bad and doubtful debts because the amounts were still considered recoverable.

19. TRADE AND BILLS RECEIVABLES *(Continued)*

Aging of trade and bills receivables which are past due but not impaired:

	2011	2010
	HK$'000	*HK$'000*
Past due	**377**	4,330

Movement in the allowance for bad and doubtful debts:

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**—**	1,570
Impairment losses reversed	**—**	(1,570)
Balance at end of the year	**—**	—

Included in the allowance for bad and doubtful debts are individually impaired trade and bills receivables with an aggregate balance of HK$Nil for the two years ended 31 December 2011 and 2010.

The directors consider that the carrying amount of trade and bills receivables approximates their fair value.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group:

	2011	2010
	HK$'000	*HK$'000*
Prepayments *(Note a)*	**89,066**	79,682
Other receivables *(Note b)*	**15,993**	22,289
Rental and utilities deposits	**1,988**	561
Total	**107,047**	102,532

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

The Company:

	2011	2010
	HK$'000	*HK$'000*
Other receivables	**10,484**	10,485
Rental and utilities deposits	**1,452**	556
Total	**11,936**	11,041

Note:

(a) During the year, the Group had prepayment in aggregate of approximately HK$89,066,000 mainly related to the subsidiaries, Weifang Century Group. Prepayments consist of progress payment of acquisition on land use right approximately HK$15,400,000, prepayments for acquisition of plant and machinery approximately HK$13,640,000, prepayments for the purchase of raw materials and finished goods approximately HK$60,000,000.

(b) The Group's other receivables of approximately HK$15,993,000 mainly came from the payment of approximately HK$10,500,000 for acquiring 30% equity interest of Minera Chile Explotacion Limitada, payment of approximately HK$2,400,000 for value-added tax return for the foreign export in Mainland China.

21. BANK BALANCES AND CASH/BANK OVERDRAFTS

Bank balances and cash

Bank balances carry interest at market rates which range from 0.5% to 3.3% (2010: 0% to 0.09%) per annum.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$34,762,000 (2010: HK$36,772,000) have been pledged to secure bills payables and short-term borrowings and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank overdrafts

The Group has no bank overdraft as at 31 December 2011 (2010: HK$5,694,000).

22. TRADE PAYABLES

The average credit period on purchases of goods ranges from 30 to 180 days (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:

	2011	2010
	HK$'000	*HK$'000*
0-30 days	**7,131**	57,909
31-60 days	**6,758**	2,847
61-90 days	**621**	733
91-180 days	**2,046**	3,516
Past due	**2,687**	3,650
Total	**19,243**	68,655

23. ACCRUALS AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Accruals	**2,722**	3,551
Other payables *(Note a)*	**23,255**	64,790
	25,977	68,341

Note:

(a) Other payables mainly consist of the deposits received of approximately HK$21,862,000 (2010: approximately HK$62,800,000).

24. AMOUNTS DUE TO AN ULTIMATE HOLDING COMPANY

For the year ended 31 December 2011, the carrying amount of HK$14,534,000 was due for settlement within next twelve months from the end of the reporting period, and accordingly, such amount was classified as current. The balance was unsecured, interest-bearing at a range from 0% to 6.25% and repayable on demand.

25. BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Bank loans *(Note a)*	76,124	71,473
Loan from an independent third party *(Note b)*	2,570	—
Bills payables *(Note c)*	39,447	52,531
	118,141	124,004
Secured	76,124	71,473
Unsecured	42,017	52,531
	118,141	124,004
Carrying amount repayable:		
Within one year	118,141	124,004

Notes:

(a) Secured by a guarantee over a minority shareholder of a subsidiary and a subsidiary's trade receivables — tax refund account. All bank loans are denominated in Renminbi with variable rate from 2.0% to 9.0% (2010: 3.7% to 7.0%) per annum.

(b) Bear interest at HKD Prime + 1% annually that based on Standard Chartered Bank (Hong Kong) Limited's Hong Kong Dollar Prime Rate.

(c) All bills payables with a variable interest rate were interested in 2011 and advanced against bills discounted. The weighted average effective interest rate on the bills is prevailing bank interest rate per annum for both years.

26. OBLIGATIONS UNDER FINANCE LEASE

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

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance lease:				
Within one year	**64**	74	**58**	60
In more than one year and not more than five years	**20**	93	**19**	86
In more than five years	**—**	—	**—**	—
	84	167	**77**	146
Less: future finance charges	**(7)**	(21)	**N/A**	N/A
Present value of lease obligations	**77**	146	**77**	146
Less: Amounts due for settlement within 12 months (shown under current liabilities)			**(58)**	(60)
Amounts due for settlement after 12 months			**19**	86

The Group's obligations under finance lease is secured by the lessor's title to the leased assets.

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

27. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.0025 each at 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 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 31 December 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 year.

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 year.

28. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire interests in Century-light Engineering (Tsingdao) Company Limited ("Century-light Engineering") to an independent third party at a consideration of approximately HK$3,476,000 which was held 60% by Weifang Century-Light (2010: Gain on disposal of China Career Education Investment and Management Co., Ltd. and Nority Limited approximately HK$40,809,000).

28. GAIN ON DISPOSAL OF SUBSIDIARIES *(Continued)*

The disposals of the subsidiaries are as follow:

	2011 Century-light Engineering *HK$'000*
Net assets disposal of:	
Net assets	—
Net liabilities	—
Non-controlling interests	—
Gain on disposal	**3,476**
Cash consideration	**3,476**

	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)

29. ACQUISITION OF SUBSIDIARIES

On 1 January 2010, the Group acquired 51% equity interest in Weifang Century-Light 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)
Bank borrowings — 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
Satisfied by:	
Cash consideration paid	(7,029)
Deposit paid for acquisition of a subsidiary	(4,682)
	(11,711)
Net cash outflow arising on acquisition	
Cash consideration paid	(7,029)
Bank balances and cash acquired	1,305
	(5,724)

29. ACQUISITION OF SUBSIDIARIES *(Continued)*

When the Group acquired 51% equity interest of Weifang Century-Light in January 2010, there was a condition in the acquisition agreement that in the event the aggregate net profit after tax of Weifang Century-Light for the year ended 31 December 2010 was less than RMB8,000,000, the Vendor was obliged to buy back the 51% equity interests in Weifang Century-Light from the Group for a consideration of RMB10,300,000. Pursuant to a supplemental agreement dated 4 August 2011, the Group and the Vendor had further agreed that if the aggregate audited net profit after tax of Weifang Century-Light for the two years ended 31 December 2010 and 2011 was less than RMB20,000,000, the Vendor was obliged to buy back the 51% equity interest in Weifang Century-Light for a consideration of RMB10,300,000. The exercise period of this option was proposed to be 90 days after the aggregate audited net profit after tax of Weifeng Century-Light for the year ended 31 December 2011 is produced. For further details please refer to the circulars dated on 31 December 2009 and 6 October 2011.

The management has assessed the fair value of aforesaid option at the acquisition date of Weifang Century-Light and determined that the value of such option is not significant. As a result of the changes in the condition of the option pursuant to the supplemental agreement date 4 August 2011, an independent professional valuer, Greater China Appraisal Limited, was engaged and has assessed the value of the option as HK$Nil. In addition, the aggregated audited net profit after tax of Weifang Century-Light for the two years ended 31 December 2010 and 2011 had exceeded RMB20,000,000, therefore, the option would be forfeited automatically.

30. RETIREMENT BENEFITS OBLIGATIONS

Defined contribution retirement plans

The employees of the Group in the PRC are members of defined contribution plans organised by the relevant local government authorities in the PRC. The subsidiary is required to make monthly contributions to these plans at a fixed percentage of the employee's basic salary. The only obligation of the Group with respect to the retirement benefit scheme in the PRC is to make the required contributions under the scheme.

The Group participates in a retirement benefit scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. The employer's contributions vested fully with the employees when contributed into the scheme. The only obligation of the Group with respect to the scheme is to make the specified contributions.

The total expense recognised in the consolidated statement of comprehensive income of approximately HK$137,000 (2010: approximately HK$81,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

31. OPERATING LEASES COMMITMENTS

The Group as lessee

	2011 HK$'000	2010 HK$'000
Lease payments in respect of rented premises paid under operating leases during the year	**2,181**	2,582

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:

	2011 HK$'000	2010 HK$'000
Within one year	**3,238**	1,774
In the second to fifth year inclusive	**2,657**	827
	5,895	2,601

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

The Group as lessor

Rental income from letting out plant & machinery earned during the year was approximately HK$2,551,000 (2010: HK$Nil).

At the end of the reporting period, the Group had no operating lease commitments (2010: HK$Nil).

32. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	2011 HK$'000	2010 HK$'000
Bank deposits	**34,762**	36,772
Trade receivables - tax refund account	**2,798**	—
	37,560	36,772

33. CAPITAL COMMITMENTS

	2011	2010
	HK$'000	*HK$'000*
Commitments for:		
Acquisition of prepaid leasehold land payments	**1,886**	5,502
Acquisition of property, plant and equipment	**2,811**	—
	4,697	5,502

34. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) During the year, 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	2011	2010	Interested director
		HK$'000	*HK$'000*	
Wai Chun Investment Fund	Interest expenses	**254**	—	Lam Ching Kui
Wai Chun Group Holdings Limited	Administrative service income	—	1,200	Lam Ching Kui
	Interest expenses	**9**	13	
	Interest (income)	—	(8)	
Wai Chun Holdings Group Limited	Rental expenses	**531**	—	Lam Ching Kui

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The remuneration of directors of the Company and other members of key management during the year was as follows:

	2011	2010
	HK$'000	*HK$'000*
Short-term benefits	**4,399**	4,809
Post-employment benefits	**35**	60
	4,434	4,869

35. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled 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.

The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the shares on the Stock Exchange on the date of grant or the nominal value of the shares.

The SOS will remain in force for a period of 10 years commencing on 10 June 2003.

The share options under the SOS are exercisable at any time for a period to be determined by the directors, which shall not more than be 10 years after the date of grant.

The total number of shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the shares in issue on the date of approval of the SOS without prior approval from the Company's shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

35. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Options granted under the SOS must be taken up within 28 days of the grant upon payment of HK$10.00 per grant.

As at 31 December 2011, no share option was granted under the SOS and no share option was lapsed or cancelled during the year.

36. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Non-current assets			
Interests in subsidiaries		**7,230**	3,068
Plant and equipment		**43**	87
		7,273	3,155
Current assets			
Deposits, prepayments and other receivables	*20*	**11,936**	11,041
Amounts due from subsidiaries		**12,089**	12,079
Bank balances and cash		**1,300**	2,774
		25,325	25,894
Current liabilities			
Accruals and other payables		**2,508**	3,432
Amounts due to an ultimate holding company		**14,534**	—
Borrowings		**2,570**	—
		19,612	3,432
Net current assets		**5,713**	22,462
Total assets less liabilities		**12,986**	25,617
Capital and reserves			
Share capital	*27*	**38,637**	38,637
Reserves	*37*	**(25,651)**	(13,020)
Total equity		**12,986**	25,617

37. RESERVES

The Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	75,924	62,934	(198,827)	(59,969)
Issue of share by open offer	69,792	—	—	69,792
Total comprehensive expenses for the year	—	—	(22,843)	(22,843)
At 31 December 2010 and 1 January 2011	145,716	62,934	(221,670)	(13,020)
Total comprehensive expenses for the year	—	—	(12,631)	(12,631)
At 31 December 2011	145,716	62,934	(234,301)	(25,651)

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly 2011	Directly 2010	Indirectly 2011	Indirectly 2010	Principal activities
Wai Chun Incorporation Limited	Hong Kong	Ordinary share of HK$ 1,000	**100%**	100%	**—**	—	Trading of footwear
Wai Chun Industrial (HK) Limited	Hong Kong	Ordinary share of HK$ 1,000	**—**	—	**100%**	100%	Investment holding
Weifang Century-Light Biology Science Co., Ltd	PRC	Registered capital USD 2,929,000	**—**	—	**51%**	51%	Manufacturing of modified starch and biochemical products
Century-light Industry Co., Ltd.	PRC	Registered capital RMB 10,000,000	**—**	—	**26%**	26%	Trading of modified starch and biochemical products

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**362,310**	284,128	13,137	82,480	68,080
Profit (loss) before taxation	**23,845**	24,298	(22,743)	(72,995)	(94,733)
Taxation	**(10,028)**	(893)	—	—	—
Profit (loss) for the year	**13,817**	23,405	(22,743)	(72,995)	(94,733)
Non-controlling interests	**(17,546)**	(3,100)	—	6,885	10,856
(Loss) profit for the year attributable to shareholders of the Company	**(3,729)**	20,305	(22,743)	(66,110)	(83,877)

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total Assets	**252,404**	314,278	40,425	65,793	70,227
Total Liabilities	**(187,914)**	(268,852)	(127,503)	(162,562)	(94,001)
	64,490	45,426	(87,078)	(96,769)	(23,774)
Non-controlling interests	**(39,964)**	(18,124)	20,980	20,980	14,095
Equity (capital deficiency) attributable to shareholders of the Company	**24,526**	27,302	(66,098)	(75,789)	(9,679)