

Wai Chun Mining Industry Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0660)



2012
Interim Report

Contents

	<i>Page</i>
Corporate Information	2
Management Discussion and Analysis	3
Other Information	7
Independent Review Report	13
Condensed Consolidated Income Statement	15
Condensed Consolidated Statement of Comprehensive Income	16
Condensed Consolidated Statement of Financial Position	17
Condensed Consolidated Statement of Changes in Equity	19
Condensed Consolidated Statement of Cash Flows	20
Notes to the Condensed Consolidated Financial Statements	21

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

Kam Man Yi, Margaret

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

Tower 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

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong)
Limited

STOCK CODE

0660

COMPANY WEBSITE

www.0660.hk

Management Discussion and Analysis

INTERIM RESULTS

For the six months ended 30 June 2012, the Group recorded a turnover of approximately HK\$149,214,000 (six months ended 30 June 2011: approximately HK\$145,365,000), representing an increase of 2.6% as compared to the same period last year. The Group recorded a gross profit and gross profit margin of approximately HK\$7,908,000 and 5.3% respectively, representing decrease in gross profit of approximately HK\$7,661,000 and gross profit margin of 49% respectively as compared to first half of 2011. Administrative expenses increased by 18.8% from approximately HK\$11,005,000 in first half of 2011 to approximately HK\$13,074,000 in the same period this year while selling expenses recorded a decrease of 43% from approximately HK\$8,462,000 in first half of 2011 to approximately HK\$4,825,000 in the same period this year.

Loss attributable to shareholders of the Company amounted to approximately HK\$9,938,000 as compared to the loss of approximately HK\$6,537,000 in the same corresponding period last year. The reason for the loss was mainly due to increase in cost of sales of modified starch and other biochemical business in the PRC.

FINANCIAL RESOURCES AND POSITION

During the six months ended 30 June 2012, the Group financed its operations mainly by internally generated resources and borrowings. As at 30 June 2012, the Group had net current assets of approximately HK\$36,051,000 (31 December 2011: approximately HK\$49,314,000) and cash and cash equivalents of approximately HK\$50,938,000 (31 December 2011: approximately HK\$45,151,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As the Group's businesses are conducted in Hong Kong and the PRC, therefore the Group is not exposed to any material foreign exchange risk. As at 30 June 2012, the current ratio of the Group was approximately 1.2 (31 December 2011: approximately 1.3).

Management Discussion and Analysis

As at 30 June 2012, total borrowings of the Group amounted to approximately HK\$134,437,000, representing an increase of 1.27% as compared to approximately HK\$132,752,000 on 31 December 2011. All borrowings of the Group are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing at prevailing market interest rates. The gearing ratio of the Group, which was calculated on the basis of net debt to total assets, decreased from 34.7% as at 31 December 2011 to 32.5% as at 30 June 2012.

Bank deposits of approximately HK\$42,867,000 (31 December 2011: approximately HK\$34,762,000) have been pledged to secure banking facilities granted to the Group.

The Group did not have any material contingent liabilities as at 30 June 2012.

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

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2012.

Management Discussion and Analysis

BUSINESS REVIEW

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

Although the sale of modified starch and other biochemical products business recorded a slight increase in turnover during the period under review, its gross profit margin dropped from 10.7% to 5.3% during the first half of this year as a result of increase in cost of sales and keen competition on the price of products.

When compared to the corresponding period last year, the selling expenses decreased by 43% to approximately HK\$4,825,000 (six months ended 30 June 2011: approximately HK\$8,462,000) mainly due to decrease in cost of distribution as a result of a drop in export sales of modified starch and other biochemical products.

The footwear business had not yet generated revenues in the period under review due to unstable macro economy. Sales transactions were subsequently made in July 2012.

Memorandum of Understanding

On 27 June 2012, the Company entered into a non legally binding Heads of Agreement (“HOA”) with Mr. Chen Cheng Shing, being the legal and beneficial owner and/or authorised person of eight holding companies which are currently engaged in research, development, sale and marketing of nutritional supplements and cosmetic products in the PRC, Taiwan, Singapore and Indonesia as well as research and development of noval drug. Please refer to the announcement dated 27 June 2012 issued by the Company for details of the HOA.

Management Discussion and Analysis

OUTLOOK

The Group will continue to keep focus on its existing business by strengthening the business relationship with existing customers, improving profit margin and looking 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.

Other Information

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

As at 30 June 2012, the interests and short positions of the Directors and chief executive in the shares of the Company (the "Shares") and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and underlying Shares

Name of Director	Capacity	Number of Shares Held	Approximate percentage of shareholding
Mr. Lam Ching Kui	(Note)	6,762,064,320	43.75%
Mr. Lu Jun Wu	Beneficial Owner	162,188,000	1%

Note: Mr. Lam Ching Kui is the beneficial owner of Chinese Success Limited, the major shareholder holding 43.75% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2012, none of the Directors of the Company had any interests or short positions in the Shares or underlying Shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Directors' Rights to Acquire Shares

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholders (other than the Directors or chief executive of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in Shares and underlying Shares in the Company

Name of Shareholder	Capacity	Number of Shares Held	Approximate percentage of shareholding
Wai Chun Investment Fund (Note 1)	Interest of Controlled Corporation	6,762,064,320	43.75%
Chinese Success Limited (Note 1)	Beneficial Owner	6,762,064,320	43.75%
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%

Other Information

Notes:

1. These shares are beneficial owned by Chinese Success Limited, which in turn is wholly-owned by Wai Chun Investment Fund. Mr. Lam Ching Kui, the Chairman and Executive Director of the Company, is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Mr. Lam Ching Kui is the director of Chinese Success Limited and Wai Chun Investment Fund.
2. Mr. Liu Wei is the beneficial owner of Onward Global Investments Limited, the substantial shareholder holding 8.32% of the issued share capital of the Company.
3. Mr. Pan Guoxin is the beneficial owner of Spring Garden Investments Limited, the substantial shareholder holding 8.32% of the issued share capital of the Company.

Save for the shareholders as disclosed herein, the Directors and the chief executive of the Company are not aware of any persons who, as at 30 June 2012, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Short positions in Shares and underlying Shares in the Company

As at 30 June 2012, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares of the Company.

OTHER PERSONS

As at 30 June 2012, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executive and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

Other Information

SHARE OPTION SCHEME

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

As at 30 June 2012, no share option was granted under the SOS and no share option was lapsed or cancelled during the period.

EMPLOYEES

As at 30 June 2012, the Group had a total of 163 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employees, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

Other Information

CORPORATE GOVERNANCE

During the six months ended 30 June 2012, the Company had complied with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the deviation from code provision A.1.8.

Pursuant to the code provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and Officers. Up to the date of this report, the Company has not arranged to purchase any Directors and Officers’ Liability Insurance, which covers in respect of legal action against the Directors. While the Company is committed to achieving high standards of corporate governance and to complying with the code provisions, the Company decided to delay the compliance with such code provision as the Board is currently considering quotations from different underwriters and will select the Directors and Officer’s Liability insurance with the most cost-efficient.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2012.

Other Information

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls.

An Audit Committee meeting was held on 29 August 2012 to review the unaudited interim financial report for six months ended 30 June 2012. HLM & Co., the Group’s external auditors, have carried out a review of the unaudited interim financial report for the six months ended 30 June 2012 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

NOMINATION COMMITTEE

The Nomination Committee was set up in March 2012 in accordance with the requirements of the Listing Rules for the purpose of making recommendations to the Board on the appointment of directors and the management of the Board succession.

APPRECIATION

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

On behalf of the Board

Lam Ching Kui

Chairman

Hong Kong, 29 August 2012

Independent Review Report

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

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

**TO THE SHAREHOLDERS OF
WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED**

偉俊礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 15 to 40, which comprise the condensed consolidated statement of financial position of Wai Chun Mining Industry Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting, issued by the HKICPA. The directors of the Company are responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

HLM & Co.

Certified Public Accountants

Hong Kong, 29th August 2012

Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Turnover	3	149,214	145,365
Cost of sales		(141,306)	(129,796)
Gross profit		7,908	15,569
Other revenues		147	655
Selling expenses		(4,825)	(8,462)
Administrative expenses		(13,074)	(11,005)
Finance costs		(3,033)	(2,314)
Loss before income tax		(12,877)	(5,557)
Income tax	4	1,387	(393)
Loss for the period	5	(11,490)	(5,950)
(Loss) profit attributable to:			
— Shareholders of the Company		(9,938)	(6,537)
— Non-controlling interests		(1,552)	587
		(11,490)	(5,950)
Loss per share	7	HK cents	HK cents
— Basic		(0.06)	(0.04)
— Diluted		(0.06)	(0.04)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Loss for the period	(11,490)	(5,950)
Other comprehensive (expense) income:		
Exchange differences on translation	(362)	758
Total comprehensive expense for the period	(11,852)	(5,192)
Total comprehensive (expense) income attributable to:		
— Shareholders of the Company	(10,062)	(6,202)
— Non-controlling interests	(1,790)	1,010
	(11,852)	(5,192)

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000
Non-current assets			
Property, plant and equipment	8	29,502	21,743
Prepaid leasehold land payments		7,859	7,986
		37,361	29,729
Current assets			
Inventories		78,695	41,122
Prepaid leasehold land payments		160	164
Trade and bills receivables	9	21,248	29,191
Deposits, prepayments and other receivables		68,787	107,047
Bank balances and cash		50,938	45,151
		219,828	222,675
Current liabilities			
Trade payables	10	15,904	19,243
Accruals and other payables		49,463	25,977
Tax payable		4,747	9,942
Borrowings — due within one year	11	113,620	118,141
Obligations under finance lease	12	43	58
		183,777	173,361
Net current assets		36,051	49,314
Total assets less current liabilities		73,412	79,043

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000
Non-current liabilities			
Amounts due to ultimate holding company		20,774	14,534
Obligations under finance lease	12	—	19
		20,774	14,553
Total assets less liabilities		52,638	64,490
Capital and reserves			
Share capital	13	38,637	38,637
Reserves		(24,173)	(14,111)
Equity attributable to:			
— Shareholders of the Company		14,464	24,526
— Non-controlling interests		38,174	39,964
Total equity		52,638	64,490

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to shareholders of the Company							Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Translation reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2012 (audited)	38,637	145,716	6,906	1,413	(168,146)	24,526	39,964	64,490	
Loss for the period	—	—	—	—	(9,938)	(9,938)	(1,552)	(11,490)	
Other comprehensive expense for the period	—	—	—	(124)	—	(124)	(238)	(362)	
Total comprehensive expense for the period	—	—	—	(124)	(9,938)	(10,062)	(1,790)	(11,852)	
At 30 June 2012 (unaudited)	38,637	145,716	6,906	1,289	(178,084)	14,464	38,174	52,638	
At 1 January 2011 (audited)	38,637	145,716	6,906	460	(164,417)	27,302	18,124	45,426	
(Loss) profit for the period	—	—	—	—	(6,537)	(6,537)	587	(5,950)	
Other comprehensive income for the period	—	—	—	335	—	335	423	758	
Total comprehensive income (expense) for the period	—	—	—	335	(6,537)	(6,202)	1,010	(5,192)	
At 30 June 2011 (unaudited)	38,637	145,716	6,906	795	(170,954)	21,100	19,134	40,234	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Net cash generated from operating activities	15,835	1,921
Net cash used in investing activities	(9,122)	(1,400)
Net cash (used in) generated from financing activities	(707)	12,144
Net increase in cash and cash equivalents	6,006	12,665
Effects of foreign exchange rate changes	(219)	1,970
Cash and cash equivalents at the beginning of the period	45,151	87,785
Cash and cash equivalents at the end of the period	50,938	102,420
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	50,938	102,567
Bank overdrafts	—	(147)
	50,938	102,420

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “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 condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the HKICPA, under the historical cost convention.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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

The condensed consolidated financial statements have been prepared under the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The application of above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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

(Continued)

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 — 2011 Cycle ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidation Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

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

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. In addition, for ‘footwear’ and ‘modified starch and other biochemical products’ operations, the information reported to the Board is further analysed based on the different classes of customers. There was no revenue generated from footwear business during the first six months. Transactions on “Trading of footwear” were subsequently made in July 2012.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

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.

Segment results represents profit earned or loss incurred by each segment without allocation of other revenues, 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 revenues 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment revenues and results

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

	Six months ended 30 June					
	2012			2011		
	Modified starch and other biochemical products	Footwear	Consolidated	Modified starch and other biochemical products	Footwear	Consolidated
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	149,214	—	149,214	129,468	15,897	145,365
Segment results	(1,318)	(3,838)	(5,156)	3,154	(453)	2,701
Other revenues			147			655
Unallocated expenses			(4,835)			(6,599)
Finance costs			(3,033)			(2,314)
			(12,877)			(5,557)
Income tax			1,387			(393)
Loss for the period			(11,490)			(5,950)

Revenues reported above represents revenues generated from external customers. There was no inter-segment sale during the period (six months ended 30 June 2011: HK\$Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment assets and liabilities

	30.6.2012			31.12.2011		
	Modified starch and other biochemical products Unaudited HK\$'000	Footwear Unaudited HK\$'000	Consolidated Unaudited HK\$'000	Modified starch and other biochemical products Audited HK\$'000	Footwear Audited HK\$'000	Consolidated Audited HK\$'000
Assets						
Segment assets	242,997	2,875	245,872	234,725	4,399	239,124
Unallocated assets			11,317			13,280
Consolidated assets			257,189			252,404
Liabilities						
Segment liabilities	178,956	227	179,183	168,088	214	168,302
Unallocated liabilities			25,368			19,612
Consolidated liabilities			204,551			187,914
Geographical assets						
Hong Kong			14,222			17,712
PRC			242,967			234,692
			257,189			252,404

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (Continued)

Other information

	30.6.2012			
	Modified starch and other biochemical products	Footwear	Unallocated	Consolidated
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	9,238	23	—	9,261
Depreciation and amortisation	1,333	121	22	1,476
Prepayments	52,296	—	—	52,296

	31.12.2011			
	Modified starch and other biochemical products	Footwear	Unallocated	Consolidated
	Audited	Audited	Audited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	6,707	789	—	7,496
Depreciation and amortisation	1,581	41	43	1,665
Prepayments	89,052	14	—	89,066

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION *(Continued)*

Geographical information

For the period ended 30 June 2012 and 2011, 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 revenues and profits from its operations.

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

	Revenues from external customers for the six months ended 30 June		Non-current assets	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000
Hong Kong	—	15,897	679	799
Korea	35,455	81,192	—	—
PRC	110,800	35,372	36,682	28,930
Others	2,959	12,904	—	—
	149,214	145,365	37,361	29,729

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION *(Continued)*

Information on major customers

For the period ended 30 June 2012, revenues from three customers of the Group amounting to approximately HK\$31,369,000, HK\$17,205,000 and HK\$16,739,000 had accounted for over 10% of the Group's total revenues.

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

Information on major suppliers

For the period ended 30 June 2012, purchases of modified starch and other biochemical products from three suppliers of the Group amounting to approximately HK\$63,592,000, HK\$34,729,000 and HK\$31,629,000 had accounted for over 10% of the Group's total purchases.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

4. INCOME TAX

	For the six months ended 30 June	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Income tax (credit) expense attributable to the Company and its subsidiaries:		
Current tax:		
Hong Kong	—	—
PRC	—	226
	—	226
(Over) under provision in prior periods:		
Hong Kong	—	—
PRC	(1,387)	167
	(1,387)	167
	(1,387)	393

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (six months ended 30 June 2011: 25%).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

5. LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Loss for the period has been arrived at after charging:		
Interest expenses	3,033	2,314
Depreciation on property, plant and equipment	1,390	752
Amortisation of prepaid leasehold land payments	86	83
Staff costs (including directors' emoluments and retirement benefit costs)	4,494	4,260
And after crediting:		
Interest income	139	280

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

6. INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2012 was based on the Group's loss attributable to shareholders of the Company of approximately HK\$9,938,000 (six months ended 30 June 2011: approximately HK\$6,537,000) and the weighted average number of ordinary shares of 15,454,685,376 (six months ended 30 June 2011: 15,454,685,376) during the period.

The amounts of diluted loss per share are the same as basic loss per share as there were no potential dilutive shares during the six months ended 30 June 2012 and 2011.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of approximately HK\$9,261,000 (31 December 2011: approximately HK\$7,496,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

9. TRADE AND BILLS RECEIVABLES

The Group allows credit period ranging from 30 to 180 days (31 December 2011: 30 to 180 days) to its trade customers. The aging analysis of trade and bills receivables is as follows:

	30.6.2012	31.12.2011
	Unaudited	Audited
	HK\$'000	HK\$'000
0-30 days	7,085	17,922
31-60 days	5,868	111
61-90 days	7,056	7,041
91-180 days	1,215	3,740
Past due	24	377
	21,248	29,191

Included in the Group's trade and bills receivables as at 30 June 2012 were debtors with an aggregate carrying amount of approximately HK\$24,000 (31 December 2011: approximately HK\$377,000) which were past due at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

10. TRADE PAYABLES

The average credit period on purchases of goods ranges from 30 to 180 days (31 December 2011: 30 to 180 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The aging analysis of trade payables is as follows:

	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000
0-30 days	1,301	7,131
31-60 days	6,760	6,758
61-90 days	4,758	621
91-180 days	1,145	2,046
Past due	1,940	2,687
	15,904	19,243

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

11. BORROWINGS

	30.6.2012	31.12.2011
	Unaudited	Audited
	HK\$'000	HK\$'000
Bank loans (Note a)	54,623	76,124
Loan from an independent third party (Note b)	2,570	2,570
Bills payables (Note c)	56,427	39,447
	113,620	118,141
Secured	54,623	76,124
Unsecured	58,997	42,017
	113,620	118,141
Carrying amount repayable: Within one year	113,620	118,141

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 5.0% to 9.0% (31 December 2011: 2.0% to 9.0%) per annum.
- (b) Bear interest at HK\$ 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 issued in 2012 and advanced against bills discounted. The weighted average effective interest rate on the bills is prevailing bank interest rate per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

12. OBLIGATIONS UNDER FINANCE LEASE

The Group leased certain of its motor vehicle under finance lease. The average lease term is 3 years (31 December 2011: 3 years). Interest underlying all obligations under finance lease is at floating rate at respective contract dates per annum.

	Minimum lease payments		Present value of minimum lease payments	
	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000
Amounts payable under finance lease:				
Within one year	46	64	43	58
In more than one year and not more than five years	—	20	—	19
In more than five years	—	—	—	—
	46	84	43	77
Less: future finance charges	(3)	(7)	N/A	N/A
Present value of lease obligations	43	77	43	77
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(43)	(58)
Amounts due for settlement after 12 months			—	19

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.0025 each at 1 January 2011 and 31 December 2011, 1 January 2012 and 30 June 2012	<u>40,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.0025 each at 1 January 2011 and 31 December 2011, 1 January 2012 and 30 June 2012	<u>15,454,685,376</u>	<u>38,637</u>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

14. OPERATING LEASE COMMITMENTS

The Group as lessee

	For the six months ended 30 June	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Lease payments paid in respect of rented premises paid under operating leases during the period	1,653	876

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

	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000
Within one year	3,243	3,238
In the second to fifth years inclusive	1,062	2,657
	4,305	5,895

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. PLEDGE OF ASSETS

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

	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000
Bank deposits	42,867	34,762
Trade receivables — tax refund account	—	2,798
	42,867	37,560

16. CAPITAL COMMITMENTS

	30.6.2012 Unaudited HK\$'000	31.12.2011 Audited HK\$'000
Commitments for:		
Acquisition of prepaid leasehold land payments	1,876	1,886
Acquisition of property, plant and equipment	1,877	2,811
	3,753	4,697

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

17. RELATED PARTY TRANSACTIONS

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

Related parties	Nature of transactions	For the six months ended 30 June		Interested director
		2012 Unaudited HK\$'000	2011 Unaudited HK\$'000	
Wai Chun Group Holdings Limited	Interest expenses	—	9	Lam Ching Kui
Wai Chun Holdings Group Limited	Rental expenses	1,594	—	Lam Ching Kui
Wai Chun Investment Fund	Interest expenses	515	1	Lam Ching Kui

18. COMPARATIVE FIGURE

Certain comparative figures have been reclassified to conform to current period's presentation.