



WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED

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

2014
INTERIM REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive director

Lam Ching Kui (*Chairman and Chief Executive Officer*)

Independent non-executive directors

Chan Chun Wai, Tony
Hau Pak Man
To Yan Ming, Edmond

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Tong Chi Cheong

COMPANY SECRETARY

Tong Chi Cheong

AUDIT COMMITTEE

Chan Chun Wai, Tony (*Chairman*)
Hau Pak Man
To Yan Ming, Edmond

REMUNERATION COMMITTEE

Hau Pak Man (*Chairman*)
Lam Ching Kui
Chan Chun Wai, Tony

NOMINATION COMMITTEE

Lam Ching Kui (*Chairman*)
Chan Chun Wai, Tony
Hau Pak Man

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

HLM CPA Limited
Certified Public Accountants
Room 305
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

SHARE REGISTRAR IN HONG KONG

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

STOCK CODE

Hong Kong Stock Exchange: 0660

COMPANY WEBSITE

<http://www.0660.hk>

Management Discussion and Analysis

The board (the “Board”) of directors (the “Director(s)”) of Wai Chun Mining Industry Group Company Limited (the “Company”) presents the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013.

FINANCIAL REVIEW

Financial performance

For the six months ended 30 June 2014, the Group recorded a turnover of approximately HK\$162,406,000 from continuing operations (six months ended 30 June 2013: approximately HK\$177,691,000), representing a decrease of 8.6% as compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin for continuing operations of approximately HK\$5,666,000 and 3.5% respectively for the six months ended 30 June 2014, representing increases of approximately HK\$44,000 and of 9.4% respectively as compared with the gross profit of approximately HK\$5,622,000 and gross profit margin of 3.2% in the first half of 2013. For the six months ended 30 June 2014, the Group did not record any turnover from its discontinued operation (six months ended 30 June 2013: approximately HK\$490,000).

Selling expenses recorded a decrease of 54.4% from approximately HK\$3,262,000 for continuing operations in the first half of 2013 to approximately HK\$1,488,000 for the corresponding period this year. Administrative expenses decreased by 25.9% from approximately HK\$15,218,000 for the continuing operations in the first half of 2013 to approximately HK\$11,274,000 for the corresponding period this year.

Loss attributable to owners of the Company amounted to approximately HK\$7,348,000, representing a decrease of 33.8% as compared with the loss of approximately HK\$11,092,000 for the corresponding period last year. The decrease in the loss was mainly attributable to (i) a decrease in operating expenses due to tighter cost control and the disposal of a subsidiary; and (ii) a gain on disposal of a subsidiary.

Financial resources and position

As at 30 June 2014, the Group had net current liabilities of approximately HK\$43,866,000 (31 December 2013: approximately HK\$29,028,000) and cash and cash equivalents of approximately HK\$2,342,000 (31 December 2013: approximately HK\$7,023,000).

Management Discussion and Analysis

As at 30 June 2014, the current ratio of the Group was approximately 0.68 times (31 December 2013: approximately 0.83 times). The net debts (net of cash and cash equivalents) to total assets ratio of the Group was approximately 44.6% (31 December 2013: 42.7%). Total borrowings of the Group amounted to approximately HK\$77,898,000, comprising secured bank loan of approximately HK\$61,793,000, amount due to the ultimate holding company of approximately HK\$13,535,000 and amount due to a non-related third party of approximately HK\$2,570,000. All the borrowings are denominated in Hong Kong Dollars (“HKD”) and Renminbi (“RMB”). All of these borrowings are interest bearing at prevailing market interest rates.

As at 30 June 2014, the Group provided guarantees in the total of RMB80 million to certain banks in the PRC in favour of one of the Group’s largest suppliers (the “Supplier”), which is independent from the Group. The guarantees were issued for the sole purpose of ensuring continuous supply of goods from the Supplier to the Group on recurring basis. Also, the bank loans were secured by legal charge on the land use rights of certain land situated in The People’s Republic of China (the “PRC”). The Group had future minimum lease payments under non-cancellable operating leases in respect of rented office premises amounting to approximately HK\$4,251,000. On the basis of the undrawn loan facilities of approximately HK\$109,431,000, the Directors believe that the Group has sufficient financial resources for its operations and to meet its financial obligations. The Directors will remain cautious in the Group’s liquidity management.

During the six months ended 30 June 2014, the Group financed its operations mainly by internally generated resources and borrowings. 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, the Group is not exposed to any material foreign exchange risk.

On 21 May 2014, 500,000,000 ordinary shares were issued and allotted upon conversion of 500,000,000 convertible preference shares.

Charge of Group’s assets

The Group’s prepaid land lease payments with carrying amounts of approximately HK\$30,048,000 (31 December 2013: prepaid land lease payments with carrying amounts of approximately HK\$29,464,000 and bank deposits of approximately HK\$1,470,000) were pledged to secure general banking facilities granted to the Group.

Management Discussion and Analysis

BUSINESS REVIEW

During the period under review, the Group continued to engage in the trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes, and the manufacture and sale of modified starch and other biochemical products. The Group has also engaged in general trading business since the second half year of 2013 and discontinued the agency trade business in 2013.

On 30 October 2013, the Group entered into an agreement with an independent purchaser to dispose of its entire 51% equity interests of Century-light Industry Company Limited (“Century-light Industry”) at a consideration of RMB6.63 million (equivalent to approximately HK\$8,336,000) (the “Disposal”). The Disposal was completed in March 2014 and resulted in a gain on disposal of a subsidiary of approximately HK\$2,712,000.

During the period under review, the business of manufacture and sales of modified starch, biochemical products and corn oil products recorded segment profits of approximately HK\$1,453,000 (six months ended 30 June 2013: segment loss of approximately HK\$6,165,000). Such improvement was mainly due to the reduction in operating costs arising from the disposal of Century-light Industry and tighter cost control. The business of general trading recorded segment profits of approximately HK\$122,000 during the period, whereas the footwear business, which continued to be hampered by low consumer spending and keen competition, recorded segment loss of approximately HK\$2,506,000 (six months ended 30 June 2013: segment loss of approximately HK\$3,517,000).

OUTLOOK

Looking forward, due to the global economic sentiments, the economic slowdown in China and keen competition in the relevant markets, the operating environment will remain challenging. Nevertheless, the Group is still optimistic in the business of manufacture and sales of modified starch, biochemical products and corn oil products because of the gradual recovery of the PRC economy and continued population growth, the Group believes that the demand in modified starch in the PRC will increase gradually in the long run and the business of manufacture and sale of relevant modified starch and other biochemical products will eventually be benefited. Furthermore, the Group will strive to increase the market share of current products and to explore new markets so as to increase sales and turnover of the Group.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Other Information

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

As at 30 June 2014, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Interests in shares and underlying shares of the Company

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares/ underlying shares held	Approximate percentage of total issued share capital
Mr. Lam Ching Kui	Interest of controlled corporations	Long position	7,578,064,320 (Note)	47.50%

Note: Mr. Lam Ching Kui is the beneficial owner of Chinese Success Limited, the major shareholder holding (i) 7,262,064,320 shares of the Company and (ii) 316,000,000 convertible preference shares of the Company, which is convertible to 316,000,000 shares of the Company.

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company or their respective associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/ OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF PART XV OF THE SFO

As at 30 June 2014, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO, were set out as follows:

Name of shareholder	Nature of interest	Long position/ short position	Number of ordinary shares/ underlying shares held	Approximate percentage of total issued share capital
Chinese Success Limited	Beneficial owner	Long position	7,578,064,320	47.50%
Wai Chun Investment Fund	Interest of controlled corporation	Long position	7,578,064,320 (Note 1)	47.50%
Onward Global Investments Limited ("Onward Global")	Beneficial owner	Long position	1,286,350,000	8.06%
Wan Yuzhen	Interest of controlled corporation	Long position	1,286,350,000 (Note 2)	8.06%
Spring Garden Investments Limited ("Spring Garden")	Beneficial owner	Long position	1,286,400,000	8.06%
Zhong Liyan	Interest of controlled corporation	Long position	1,286,400,000 (Note 3)	8.06%

Other Information

Notes:

1. These 7,578,064,320 shares of the Company were held by Chinese Success Limited, which is wholly-owned by Wai Chun Investment Fund, which, in return is wholly-owned by Mr. Lam Ching Kui, the executive Director and the chairman and chief executive officer of the Company.
2. These 1,286,350,000 shares of the Company were held by Onward Global which is wholly-owned by Wan Yuzhen. For the purpose of SFO, Wan Yuzhen is deemed to be interested in these 1,286,350,000 shares held by Onward Global.
3. These 1,286,400,000 shares of the Company were held by Spring Garden which is wholly-owned by Zhong Liyan. For the purpose of SFO, Zhong Liyan is deemed to be interested in these 1,286,400,000 shares held by Spring Garden.

Save as disclosed above as at 30 June 2014, no other parties were recorded in the register of the Company required to be kept under section 336 of Part XV of the SFO as having interests or short position in the shares or underlying shares of the Company as at 30 June 2014.

EMPLOYEES

As at 30 June 2014, the Group had a total of 108 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to the 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 executive Director(s) and senior management. No Director, or any of his associates, and executive, is involved in dealing his own remuneration.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2014 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 during the six months ended 30 June 2014.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2014, the Company has complied with the relevant code provisions set out in the CG Code except for the deviation from code provision A.2.1, which is explained below.

Code provision A.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company. He has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The balance of power and authorities are ensured by the operation of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) 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. The terms of reference of the Audit Committee is currently made available on the Stock Exchange’s website and the Company’s website.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group’s financial reporting system (including the adequacy of resources, qualifications and experience of staff in charge of the Group’s financial reporting function and their training arrangement and budget) and the internal control procedures.

Other Information

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan Chun Wai, Tony (chairman), Mr. Hau Pak Man and Mr. To Yan Ming, Edmond. The Audit Committee has reviewed the unaudited interim financial results of the Group for the six months ended 30 June 2014.

On behalf of the Board

Wai Chun Mining Industry Group Company Limited

Lam Ching Kui

Chairman and Chief Executive Officer

Hong Kong, 27 August 2014

Report on Review of Condensed Consolidated Financial Statements

恒健會計師行有限公司

HLM CPA LIMITED

Certified Public Accountants

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2-12 Queen's Road West, Hong Kong.
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TO THE BOARD OF DIRECTORS 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 of Wai Chun Mining Industry Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 13 to 38, which comprise the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended and certain explanatory notes. The Main Board Listing 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 the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Directors of the Company are responsible for the preparation and 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.

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.

Report on Review of Condensed Consolidated Financial Statements

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.

EMPHASIS OF MATTER

The accompanying condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared assuming that the Group will continue as a going concern. Without qualifying our review conclusion, we draw attention to Note 1 to the condensed consolidated financial statements which indicate that the Group incurred a loss of approximately HK\$6,768,000 and had a net operating cash outflow of approximately HK\$18,805,000 for the six months ended 30 June 2014, and as at that date, the Group had net current liabilities of approximately HK\$43,866,000. Besides, the Group had provided guarantees in the total of RMB80 million to certain banks in the PRC in favour of one of the Group's largest suppliers. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in Note 1 to the condensed consolidated financial statements. The condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

HLM CPA LIMITED

Certified Public Accountants

Ho Pak Tat

Practising Certificate Number: P05215

Hong Kong, 27 August 2014

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK'000 (Unaudited)	2013 HK'000 (Unaudited)
Continuing operations			
Turnover	3	162,406	177,691
Cost of sales		(156,740)	(172,069)
Gross profit		5,666	5,622
Other revenue		148	1,640
Gain on disposal of a subsidiary	17	2,712	-
Selling expenses		(1,488)	(3,262)
Administrative expenses		(11,274)	(15,218)
Finance costs		(2,530)	(3,046)
Loss before income tax		(6,766)	(14,264)
Income tax expense	4	(2)	(214)
Loss for the period from continuing operations	5	(6,768)	(14,478)
Discontinued operation			
Loss for the period from discontinued operation		-	(694)
Loss for the period		(6,768)	(15,172)
(Loss) profit attributable to:			
- Owners of the Company		(7,348)	(11,092)
- Non-controlling interests		580	(4,080)
		(6,768)	(15,172)
Loss per share			
	7	HK cents	HK cents
From continuing and discontinued operations			
- Basic		(0.05)	(0.07)
- Diluted		(0.05)	(0.07)
From continuing operations			
- Basic		(0.05)	(0.07)
- Diluted		(0.05)	(0.07)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK'000 (Unaudited)	2013 HK'000 (Unaudited)
Loss for the period	(6,768)	(15,172)
Other comprehensive income (expense):		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Realisation of translation reserve upon disposal of a subsidiary	(712)	-
Exchange differences on translation of foreign operations	490	1,164
Other comprehensive (expense) income, net of tax	(222)	1,164
Total comprehensive expense for the period	(6,990)	(14,008)
Total comprehensive income (expense) attributable to:		
- Owners of the Company	(7,461)	(10,604)
- Non-controlling interests	471	(3,404)
	(6,990)	(14,008)

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	<i>Notes</i>	30 June 2014 <i>HK'000</i> (Unaudited)	31 December 2013 <i>HK'000</i> (Audited)
Non-current assets			
Property, plant and equipment	8	36,993	35,161
Prepaid land lease payments		37,579	37,282
Prepayments for acquisition of property, plant and equipment		1,574	335
		76,146	72,778
Current assets			
Inventories		54,307	37,916
Prepaid land lease payments		800	786
Trade and bills receivables	9	17,266	13,720
Deposits, prepayments and other receivables		18,677	16,016
Tax recoverable		9	2
Bank balances and cash		2,342	6,916
		93,401	75,356
Assets classified as held for sale		–	61,990
		93,401	137,346
Current liabilities			
Trade payables	10	51,519	35,387
Accruals and other payables		21,385	26,753
Amounts due to a non-controlling shareholder of a subsidiary		–	1,298
Borrowings	11	64,363	35,509
		137,267	98,947
Liabilities directly associated with assets classified as held for sale		–	67,427
		137,267	166,374

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	<i>Notes</i>	30 June 2014 HK'000 (Unaudited)	31 December 2013 HK'000 (Audited)
Net current liabilities		(43,866)	(29,028)
Total assets less current liabilities		32,280	43,750
Non-current liability			
Amounts due to an ultimate holding company		13,535	11,836
Total assets less liabilities		18,745	31,914
Capital and reserves			
Share capital	<i>12</i>	39,887	38,637
Convertible preference shares	<i>13</i>	790	2,040
Reserves		(38,622)	(31,161)
Equity attributable to owners of the Company		2,055	9,516
Non-controlling interests		16,690	22,398
Total equity		18,745	31,914

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company								
	Shareholders						Non-controlling interests		Total
	Share capital	Convertible preference shares	Share premium	Other reserve	Translation reserve	Accumulated losses	Sub-total	interests	
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 January 2014 (audited)	38,637	2,040	184,476	6,906	1,908	(224,451)	9,516	22,398	31,914
(Loss) profit for the period	-	-	-	-	-	(7,348)	(7,348)	580	(6,768)
Other comprehensive income (expense) for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	599	-	599	(109)	490
Realisation of translation reserve upon disposal of a subsidiary	-	-	-	-	(712)	-	(712)	-	(712)
Total comprehensive income (expense) for the period	-	-	-	-	(113)	(7,348)	(7,461)	471	(6,990)
Disposal of a subsidiary	-	-	-	-	-	-	-	(6,179)	(6,179)
Conversion of convertible preference shares	1,250	(1,250)	-	-	-	-	-	-	-
At 30 June 2014 (unaudited)	39,887	790	184,476	6,906	1,795	(231,799)	2,055	16,690	18,745
At 1 January 2013 (audited)	38,637	-	145,716	6,906	1,393	(202,281)	(9,629)	30,302	20,673
Loss for the period	-	-	-	-	-	(11,092)	(11,092)	(4,080)	(15,172)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	488	-	488	676	1,164
Total comprehensive income (expense) for the period	-	-	-	-	488	(11,092)	(10,604)	(3,404)	(14,008)
At 30 June 2013 (unaudited)	38,637	-	145,716	6,906	1,881	(213,373)	(20,233)	26,898	6,665

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK'000 (Unaudited)	2013 HK'000 (Unaudited)
Net cash (used in) generated from operating activities	(18,805)	39,174
Net cash used in investing activities	(4,282)	(4,725)
Net cash generated from (used in) financing activities	17,954	(44,159)
Net decrease in cash and cash equivalents	(5,133)	(9,710)
Effects of foreign exchange rate changes	452	180
Cash and cash equivalents at beginning of the period	7,023	14,242
Cash and cash equivalents at end of the period	2,342	4,712
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	2,342	4,535
Bank balances and cash included in a disposal group classified as held for sale	–	177
	2,342	4,712

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The Company is a public limited company 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 address of the registered office of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and the principal place of business of the Company is 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The functional currency of the Company is Renminbi. The condensed 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 Group are the trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes, and the manufacture and sale of modified starch and other biochemical products and general trading.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

For the six months ended 30 June 2014, the Group incurred a loss of approximately HK\$6,768,000 and had a net operating cash outflow of approximately HK\$18,805,000 and as at 30 June 2014, the Group had net current liabilities of approximately HK\$43,866,000. Besides, the Group had provided guarantees in the total of RMB80 million to certain banks in the PRC in favour of one of the Group’s largest suppliers. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION *(Continued)*

In order to improve the Group's financial position, the Directors of the Company have been implementing various measures as follow:

- (i) The Company has undrawn loan facilities of approximately HK\$109,431,000 granted by its ultimate holding company, Wai Chun Investment Fund ("Wai Chun"), which will be provided on a sub-ordinated basis, i.e. Wai Chun will not demand the Company for repayment until all the other liabilities of the Group had been satisfied; and
- (ii) In addition to the loan facilities stated above, Wai Chun has also undertaken to provide adequate funds to enable the Group to meet in full its financial obligations when they fall due in the foreseeable future.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 30 June 2015 taking into account the impact of above measures, the Directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from 30 June 2014, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

2. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

Application of a new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA that are relevant to the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

The application of above new interpretation and 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and revised HKFRSs issued 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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial instruments ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁶
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

³ Available for application - the mandatory effective date will be determined when the outstanding phases of the HKFRS 9 are finalised.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 January 2017.

The Directors of the Company anticipate that the application of these new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION

The chief operating decision maker (“CODM”) has been identified as the Group’s senior executive management. The CODM reviews the Group’s internal reporting for resource allocation and assessment of performance.

For management purposes, 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
General trading	-	Trading of electronic parts and components and electrical appliances
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 CODM of the Company.

Agency trade business was discontinued in year 2013.

Segment profit (loss) represents profit earned or loss incurred by each segment without allocation of other revenue, gain on disposal of a subsidiary, central administration costs (including Directors’ salaries) and finance costs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (Continued)

Business segments

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations and discontinued operation by reportable segments:

Six months ended 30 June 2014

	Continuing operations				Discontinued operation	
	Modified starch and other biochemical products <i>HK\$'000</i> (Unaudited)	Footwear <i>HK\$'000</i> (Unaudited)	General trading <i>HK\$'000</i> (Unaudited)	Sub-total <i>HK\$'000</i> (Unaudited)	Agency trade business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	132,134	7,047	23,225	162,406	-	162,406
Segment results	1,453	(2,506)	122	(931)	-	(931)
Other revenue				148		148
Gain on disposal of a subsidiary				2,712		2,712
Central administration costs				(6,165)		(6,165)
Finance costs				(2,530)		(2,530)
Loss before income tax				(6,766)		(6,766)
Income tax expense				(2)		(2)
Loss for the period				(6,768)		(6,768)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2013

	Continuing operations				Discontinued operation	Total HK\$'000 (Unaudited)
	Modified starch and other biochemical products HK\$'000 (Unaudited)	Footwear HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Agency trade business HK\$'000 (Unaudited)	
Segment revenue	163,800	13,891	-	177,691	490	178,181
Segment results	(6,165)	(3,517)	-	(9,682)	(694)	(10,376)
Other revenue				1,640		1,640
Central administration costs				(3,176)		(3,176)
Finance costs				(3,046)		(3,046)
Loss before income tax				(14,264)		(14,958)
Income tax expense				(214)		(214)
Loss for the period				(14,478)		(15,172)

Revenues reported above represents revenue generated from external customers. There was no inter-segment sale for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment assets and liabilities

At 30 June 2014

	Continuing operations				Discontinued operation	Consolidated HK\$'000 (Unaudited)
	Modified starch and other biochemical products HK\$'000 (Unaudited)	Footwear HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Agency trade business HK\$'000 (Unaudited)	
Assets						
Segment assets	165,090	3,348	721	169,159	-	169,159
Unallocated assets						388
Consolidated assets						169,547
Liabilities						
Segment liabilities	131,029	928	-	131,957	-	131,957
Unallocated liabilities						18,845
Consolidated liabilities						150,802
Geographical assets						
Hong Kong						4,457
PRC						165,090
						169,547

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment assets and liabilities (Continued)

At 31 December 2013

	Continuing operations				Discontinued operation	Consolidated HK\$'000 (Audited)
	Modified starch and other biochemical products HK\$'000 (Audited)	Footwear HK\$'000 (Audited)	General trading HK\$'000 (Audited)	Sub-total HK\$'000 (Audited)	Agency trade business HK\$'000 (Audited)	
Assets						
Segment assets	196,674	8,638	3,383	208,695	-	208,695
Unallocated assets						1,429
Consolidated assets						210,124
Liabilities						
Segment liabilities	157,737	3,084	50	160,871	-	160,871
Unallocated liabilities						17,339
Consolidated liabilities						178,210
Geographical assets						
Hong Kong						13,451
PRC						196,673
						210,124

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

- assets used jointly by segments are allocated on the basis of the revenue earned by individual segments; and
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (Continued)

Other information

Six months ended 30 June 2014

	Modified starch and other biochemical products HK\$'000 (Unaudited)	Footwear HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Continuing operations					
Additions to property, plant and equipment	3,858	-	-	-	3,858
Depreciation and amortisation	2,186	122	-	-	2,308
Prepayments for acquisition of property, plant and equipment	1,574	-	-	-	1,574

Six months ended 30 June 2013

	Modified starch and other biochemical products HK\$'000 (Unaudited)	Footwear HK\$'000 (Unaudited)	General trading HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Continuing operations					
Additions to property, plant and equipment	1,301	4	-	-	1,305
Depreciation and amortisation	1,655	122	-	-	1,777
Prepayments for acquisition of property, plant and equipment	-	-	-	-	-

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION *(Continued)*

Geographical information

For the six months ended 30 June 2014, the Group's operations were principally located in Hong Kong (country of domicile) and PRC with revenue and profits from its operations.

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

	Revenues from external customers for the six months ended 30 June		Non-current assets	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Hong Kong	30,272	13,891	176	298
Korea	1,003	35,407	-	-
PRC	131,131	125,666	75,970	72,480
Others	-	2,727	-	-
	162,406	177,691	76,146	72,778

Information on major customers

For the six months ended 30 June 2014, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$132,134,000 are revenue of approximately HK\$47,672,000, HK\$26,255,000 and included in revenue arising from general trading of approximately of HK\$23,225,000 are revenue of approximately of HK\$22,326,000 respectively arising from sales to the Group's three largest customers. No other single customer contributed 10% or more to the Group's sales.

For the six months ended 30 June 2013, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$163,800,000 are revenue of approximately HK\$25,352,000, HK\$25,642,000 and HK\$24,709,000 respectively arising from sales to the Group's three largest customers. No other single customer contributed 10% or more to the Group's sales.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION *(Continued)*

Information on major suppliers

For the six months ended 30 June 2014, included in purchases of modified starch and other biochemical products of approximately HK\$133,920,000 are purchases of approximately HK\$83,723,000 and HK\$28,213,000 respectively arising from purchases from the Group's two largest suppliers. No other single supplier contributed 10% or more to the Group's purchases.

For the six months ended 30 June 2013, included in purchases of modified starch and other biochemical products of approximately HK\$171,862,000 are purchases of approximately HK\$74,110,000 and HK\$28,799,000 respectively arising from purchases from the Group's two largest suppliers. No other single supplier contributed 10% or more to the Group's purchases.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Continuing operations		
Income tax expense comprises:		
Under provision of income tax in prior periods:		
Hong Kong	-	-
PRC	2	214
Total income tax expense	2	214

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (six months ended 30 June 2013: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

5. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period from continuing operations has been arrived at after charging:		
Cost of inventories	146,387	173,677
Interest expenses	2,530	3,046
Depreciation on property, plant and equipment	1,912	1,602
Loss on disposal on property, plant and equipment	-	497
Net exchange loss	314	752
Amortisation of prepaid land lease payments	396	175
Staff costs (including directors' salaries and retirement benefit costs)	3,030	3,940

6. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

7. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share for six months ended 30 June 2014 was based on the Group's loss attributable to owners of the Company of approximately HK\$7,348,000 (six months ended 30 June 2013: approximately HK\$11,092,000) and the weighted average number of ordinary shares of 15,565,182,614 (six months ended 30 June 2013: 15,454,685,376) during the period.

Effect of diluted potential shares in respect of convertible preference shares for the six months ended 30 June 2014 would result in anti-dilutive effect in calculation of diluted loss per share in continuing operations. For the six months ended 30 June 2013, there are no potential dilutive shares. Therefore, the basic and diluted loss per share in 2014 and 2013 are the same.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$3,858,000 (For the year ended 31 December 2013: approximately HK\$4,546,000).

9. TRADE AND BILLS RECEIVABLES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	20,719	17,538
Bills receivables	365	-
	21,084	17,538
Less: provision for impairment	(3,818)	(3,818)
Total	17,266	13,720

The Group allows credit period ranging from 30 to 180 days to its customers.

The aging analysis of trade and bills receivables based on the invoice date and net of provision for impairment, is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0-30 days	6,598	10,860
31-60 days	2,602	156
61-90 days	-	76
91-180 days	4,161	25
Over 180 days	3,905	2,603
Total	17,266	13,720

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

10. TRADE PAYABLES

The average credit period on purchases of goods ranges from 30 to 180 days. The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe. The following is an aging analysis of trade payables is based on the invoice date:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0-30 days	28,946	26,565
31-60 days	2,790	4,000
61-90 days	5,314	3,051
91-180 days	10,315	504
Over 180 days	4,154	1,267
Total	51,519	35,387

11. BORROWINGS

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Bank loans (Note a)	61,793	32,939
Loan from an independent third party (Note b)	2,570	2,570
Total	64,363	35,509
Secured	61,793	32,939
Unsecured	2,570	2,570
Total	64,363	35,509

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

11. BORROWINGS (Continued)

Notes:

- (a) It was secured by a guarantee given by a non-controlling shareholder of a subsidiary and the pledge of the prepaid land lease payments with the carrying amounts of approximately HK\$30,048,000 (31 December 2013: approximately HK\$29,464,000). All bank loans are denominated in RMB with variable interest rate from 7.2% to 8.4% (31 December 2013: 4.9% to 11.0%) per annum.
- (b) Bearing interest at 1% above Hong Kong Prime Rate granted by Standard Chartered Bank (Hong Kong) Limited per annum during the period.

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.0025 each	Amount HK\$'000
Authorised:		
Balance as at 1 January 2013 and 31 December 2013 and 30 June 2014	40,000,000,000	100,000
Issued and fully paid:		
Balance as at 1 January 2013 and 31 December 2013	15,454,685,376	38,637
Conversion of convertible preference shares	500,000,000	1,250
Balance as at 30 June 2014	15,954,685,376	39,887

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

13. CONVERTIBLE PREFERENCE SHARES

	Number of convertible preference shares of HK\$0.0025 each	Amount HK\$'000
Authorised, issued and fully paid:		
At 1 January 2013	–	–
Increase during the year	816,000,000	2,040
Balance as at 31 December 2013 and 1 January 2014	816,000,000	2,040
Conversion of convertible preference shares	(500,000,000)	(1,250)
Balance as at 30 June 2014	316,000,000	790

The convertible preference shares are non-redeemable, carry no voting right and each of the convertible preference share is convertible into one ordinary share immediately before the fifth anniversary of the issue date of convertible shares. The convertible preference shareholder is entitled to receive dividend pari passu with ordinary shareholders on an as converted basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14. OPERATING LEASE COMMITMENT

The Group as lessee

	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease payments paid in respect of rented premises paid under operating leases during the period	1,594	1,594

At the end of the current interim period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	3,188	3,258
In the second to fifth years inclusive	1,063	2,657
Total	4,251	5,915

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

15. PLEDGE OF ASSETS

The Group has pledged prepaid land lease payments with carrying amounts of approximately HK\$30,048,000 (As at 31 December 2013: pledged prepaid land lease payment with carrying amounts of approximately HK\$29,464,000 and discontinued operation's pledged bank deposits of approximately HK\$1,471,000) to secure general banking facilities granted to the Group.

16. FAIR VALUE MEASUREMENT

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

17. DISPOSAL OF A SUBSIDIARY

On 30 October 2013, Weifang Century-light Biology Science Co., Ltd., being a non wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent purchaser, in relation to the disposal of its entire 51% equity interests of Century-light Industry at a consideration of RMB6,630,000 (equivalent to approximately HK\$8,336,000). The disposal was completed on 25 March 2014. The analysis of assets and liabilities disposed of Century-light Industry as of that date are shown as follows:

Analysis of assets and liabilities disposed of:	HK\$'000
Net assets disposed of:	
Property, plant and equipment	1,058
Inventories	43,225
Trade receivables	7,097
Other receivables, deposits and prepayments	9,597
Amount due from a related party	19,863
Bank balance and cash	210
Trade payables	(3,013)
Accruals, other payables and deposits received	(14,311)
Amount due to shareholders	(26,984)
Borrowings	(3,771)
Other long term payables	(20,456)
Non-controlling interests	(6,179)
	6,336
Realisation of translation reserves	(712)
Gain on disposal of a subsidiary	2,712
	8,336
Consideration settled by cash	8,336
Net cash inflow on disposal of a subsidiary:	
Cash consideration received	8,336
Cash and cash equivalents disposed of	(210)
Net cash inflow in respect of the disposal	8,126

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. RELATED PARTY TRANSACTIONS

- (a) 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		
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	Interested director
Wai Chun Holdings Group Limited	Rental expenses	1,594	1,594	Lam Ching Kui
Wai Chun Investment Fund	Interest expenses	386	1,038	Lam Ching Kui

- (b) During the period, 500,000,000 ordinary shares of HK\$0.0025 each were issued and allotted to Chinese Success Limited, which is wholly owned by Wai Chun, the ultimate holding company, upon the conversion of 500,000,000 convertible preference shares.

19. CONTINGENT LIABILITIES

During the period under review, Weifang Century-light Biology Science Company Limited, a non-wholly owned subsidiary of the Company, provided guarantees in the total of RMB80 million to certain banks in the PRC in favour of one of the Group's largest suppliers, which is independent from the Group. The guarantees were issued for the sole purpose of ensuring continuous supply of goods from the Supplier to the Group on recurring basis. The outstanding balance due to the Supplier as at 30 June 2014 was approximately RMB34.1 million (equivalent to approximately HK\$43.1 million). The total purchases from the Supplier during the six months ended 30 June 2014 was approximately RMB66.3 million (equivalent to approximately HK\$83.5 million).

As at 30 June 2014, the total value of the guaranteed borrowings outstanding was RMB80 million. The Directors consider that no provision is required in respect of the guarantees as it is expected that the Supplier, which has no history of default, would continue to be one of the Group's largest supplier and it is not probable that the Group would have to make payments to the banks for the guarantees.