



WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 0660)

2016 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
Room 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank 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 2016 together with the comparative figures for the corresponding period in 2015.

FINANCIAL REVIEW

Financial Performance

For the six months ended 30 June 2016, the Group recorded a turnover of approximately HK\$192,123,000 (six months ended 30 June 2015: approximately HK\$164,586,000), representing an increase of 16.7% as compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin of approximately HK\$5,824,000 and 3.0% respectively for the six months ended 30 June 2016, representing increases of approximately HK\$4,234,000 and of 266.3% respectively as compared with the gross profit of approximately HK\$1,590,000 and gross profit margin of 1.0% in the first half of 2015. Such increases were mainly due to the increase in the market prices of the modified starch and other biochemical products during the period.

Administrative expenses increased by 307.5% from approximately HK\$8,525,000 in the first half of 2015 to approximately HK\$34,737,000 for the corresponding period this year. Such increase is mainly due to share based payment expenses of approximately HK\$23,228,000 recognised for the 699,639,467 share options granted under the Company’s share option scheme on 12 January 2016. Selling expenses recorded an increase of 85.0% from approximately HK\$1,629,000 in the first half of 2015 to approximately HK\$3,014,000 for the corresponding period this year.

Loss attributable to owners of the Company amounted to approximately HK\$32,901,000, representing an increase of 265.9% as compared with the loss of approximately HK\$8,992,000 for the corresponding period last year. The increase in the loss was mainly attributable to the share option expenses of approximately HK\$23,228,000 mentioned above .

Financial Resources and Position

As at 30 June 2016, the Group had net current liabilities of approximately HK\$67,297,000 (31 December 2015: approximately HK\$60,728,000) and cash and cash equivalents of approximately HK\$3,079,000 (31 December 2015: approximately HK\$10,605,000).

Management Discussion and Analysis

As at 30 June 2016, the current ratio of the Group was approximately 0.61 times (31 December 2015: approximately 0.57 times). The net debts (net of cash and cash equivalents) to total assets ratio of the Group was approximately 43.1% (31 December 2015: 58.0%). Total borrowings of the Group amounted to approximately HK\$76,911,000, comprising bills payables of approximately HK\$2,032,000, secured bank loan of approximately HK\$52,792,000, amount due to a non-controlling shareholder of a subsidiary of approximately HK\$19,508,000 and loans from ultimate holding company of approximately HK\$2,579,000. All the borrowings are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing at prevailing market interest rates.

During the six months ended 30 June 2016, the Group financed its operations mainly by internally generated resources and borrowings which include bank borrowings, loan and undrawn loan facilities from ultimate holding company. 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 22 January 2016, the Company and Chinese Success Limited (the controlling shareholder of the Company which is in turn wholly owned by Wai Chun Investment Fund, the "Subscriber") entered into a subscription agreement whereby the Subscriber agreed to subscribe for, and the Company agreed to issue and allot, 536,960,000 convertible preference shares ("Convertible Preference Shares") at the issue price of HK\$0.05 per convertible preference share for capitalising the loan from Wai Chun Investment Fund in the amount of HK\$26,848,000 (the "Shareholder's Loan") ("Loan Capitalisation"). The Loan Capitalisation was approved by the Company's shareholders at the extraordinary general meeting held on 8 April 2016 and 536,960,000 Convertible Preference Shares were issued and allotted to the Subscriber accordingly.

BUSINESS REVIEW AND OUTLOOK

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 and general trading.

Management Discussion and Analysis

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\$172,000 (six months ended 30 June 2015: segment loss of approximately HK\$2,434,000). Such improvement was mainly due to the increase in the profit margin of the modified starch and other biochemical products business. The business of general trading recorded segment profits of approximately HK\$46,000 during the period (six months ended 30 June 2015: segment profits of approximately HK\$109,000), whereas the footwear business, which continued to be hampered by low consumer spending and keen competition, recorded segment loss of approximately HK\$3,042,000 (six months ended 30 June 2015: segment loss of approximately HK\$2,601,000).

On 18 May 2016, the Company entered into a conditional sales and purchase agreement (the “S&P Agreement”) with Wai Chun Investment Fund (the controlling shareholder of the Company, the “Vendor”) pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the entire issued share capital of Oceanic Chief Limited (the “Target Company”) and shareholder’s loan (if any), for an aggregate consideration of HK\$650 million (subject to valuation) and shall be satisfied by way of issuing of 13,000 million convertible preference shares of the Company (the “Proposed Acquisition”). The Target Company and its subsidiaries (the “Target Group”) were granted an exclusive right in the license period of five years (the “License Period”) to display the replica of the artwork and models of a world famous artist in new, modern and innovative methods to introduce the world famous artist and offer a complete multidisciplinary experience of introducing his life (the “Exhibition”). The equipment required and the materials for the Exhibition will be provided by the licensor. The Exhibition will be held in the PRC and it is also allowed to be held in Hong Kong and Macau. The Target Group will pay an annual license fee to the licensor during the License Period and is entitled to all sale proceeds of the tickets sold during and before the License Period. By investing in the Target Company, it is expected that the Company can diversify its revenue sources from the ticket sales and the sales of the exhibition merchandise and expand the business of the Group to the cultural industry. The Proposed Acquisition constitutes a major and connected transaction of the Company and is subject to independent shareholders’ approval at a general meeting of the Company. More details of the Proposed Acquisition can be found on the announcements of the Company dated 18 May 2016, 8 June 2016, 29 June 2016 and 29 July 2016.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Other Information

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

As at 30 June 2016, the beneficial interests of the Directors and chief executive in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions) which they are taken or deemed to have taken under such provisions of the SFO and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules, were as follows:

Long Positions

Name of Director	Capacity	Ordinary shares of HK\$0.0025 each		
		Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of issued share capital
Mr. Lam Ching Kui	Interest of controlled corporations	Long position	21,115,024,320 (Note)	129.77%

Note: Mr. Lam Ching Kui is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 7,578,064,320 shares and 13,536,960,000 convertible preference shares of the Company, of which 7,578,064,320 shares and 536,960,000 convertible preference shares of the Company are held by Chinese Success Limited, a wholly owned subsidiary of Wai Chun Investment Fund.

Other than as disclosed above, as at 30 June 2016, none of the Directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of Directors and chief executive, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long Positions

Name of shareholder	Capacity	Ordinary shares of HK\$0.0025 each	
		Number of shares/ underlying shares held	Approximate percentage of issued share capital
Chinese Success Limited (Note 1)	Beneficial owner	8,115,024,320	49.87%
Wai Chun Investment Fund	Interest of controlled corporation (Note 1)	8,115,024,320	49.87%
	Other (Note 2)	13,000,000,000	79.89%
Onward Global Investments Limited ("Onward Global") (Note 3)	Beneficial owner	1,286,350,000	7.91%
Wan Yuzhen (Note 3)	Interest of controlled corporation	1,286,350,000	7.91%
Spring Garden Investments Limited ("Spring Garden") (Note 4)	Beneficial owner	1,286,400,000	7.91%
Zhong Liyan (Note 4)	Interest of controlled corporation	1,286,400,000	7.91%

Other Information

Notes:

- (1) Chinese Success Limited, which is wholly owned by Wai Chun Investment Fund, holds (i) 7,578,064,320 shares of the Company and (ii) 536,960,000 convertible preference shares of the Company, which is convertible to 536,960,000 shares of the Company. 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) After having entered into a sales and purchase agreement with the Company on 18 May 2016, Wai Chun Investment Fund is deemed to be interested in 13,000,000,000 convertible preference shares of the Company, which is convertible into 13,000,000,000 issued shares. Details of the sales and purchase agreement are set out in the announcement of the Company dated 18 May 2016.
- (3) 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.
- (4) 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 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 2016, 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.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 22 July 2015 (“New Share Option Scheme”) in view of the lapse of the old share option scheme adopted by the Company on 10 June 2003. Particulars of the New Share Option Scheme and movements of the Company’s share options during the period are set out in note 23 to the condensed consolidated financial statements.

EMPLOYEES

As at 30 June 2016, the Group had a total of 151 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.

Other Information

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 2016 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 2016.

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 2016.

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 2016, 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.

Other Information

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.

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 2016.

On behalf of the Board

Wai Chun Mining Industry Group Company Limited

Lam Ching Kui

Chairman and Chief Executive Officer

Hong Kong, 26 August 2016

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
香港皇后大道西 2-12 號聯發商業中心 305 室
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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 46, which comprise the condensed consolidated statement of financial position as at 30 June 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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 2016 have been prepared assuming that the Group will continue as a going concern. Without qualifying our review conclusion, we draw attention to Note 2 to the condensed consolidated financial statements which indicate that the Group incurred a net loss of approximately HK\$33,453,000 and had a net operating cash outflow of approximately HK\$11,672,000 for the six months ended 30 June 2016, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$67,297,000 and HK\$2,691,000 respectively and also, the Group's current liabilities exceeded its total assets and capital deficiency attributable to owners of the Company were approximately HK\$112,000 and HK\$9,642,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in Note 2 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

26 August 2016

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Turnover	4	192,123	164,586
Cost of sales		(186,299)	(162,996)
Gross profit		5,824	1,590
Other revenue		88	36
Selling expenses		(3,014)	(1,629)
Administrative expenses		(34,737)	(8,525)
Finance costs		(1,614)	(2,542)
Loss before income tax		(33,453)	(11,070)
Income tax expense	5	-	-
Loss for the period	6	(33,453)	(11,070)
Loss attributable to:			
- Owners of the Company		(32,901)	(8,992)
- Non-controlling interests		(552)	(2,078)
		(33,453)	(11,070)
Loss per share	8	HK cents	HK cents
- Basic		(0.20)	(0.06)
- Diluted		(0.20)	(0.06)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period	(33,453)	(11,070)
Other comprehensive (expense) income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(300)	170
Other comprehensive (expense) income, net of tax	(300)	170
Other comprehensive expense for the period	(33,753)	(10,900)
Total comprehensive expense attributable to:		
– Owners of the Company	(33,054)	(8,905)
– Non-controlling interests	(699)	(1,995)
	(33,753)	(10,900)

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	34,996	35,334
Prepaid land lease payments	10	32,189	33,229
		67,185	68,563
Current assets			
Inventories		59,646	36,036
Prepaid land lease payments	10	714	730
Trade and bills receivables	11	31,206	23,461
Deposits, prepayments and other receivables	12	9,333	7,838
Financial assets at fair value through profit or loss	13	–	1,669
Bank balances and cash		3,079	10,605
		103,978	80,339
Current liabilities			
Trade and bills payables	14	68,631	43,663
Accruals and other payables		30,344	27,230
Amounts due to a non-controlling shareholder of a subsidiary		19,508	16,328
Borrowings	15	52,792	53,846
		171,275	141,067

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	<i>Notes</i>	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Net current liabilities		(67,297)	(60,728)
Total assets less current liabilities		(112)	7,835
Non-current liability			
Loans from ultimate holding company	16	2,579	26,849
Net liabilities		(2,691)	(19,014)
Capital and reserves			
Share capital	17	40,677	40,677
Convertible preference shares	18	1,342	–
Reserves		(51,661)	(67,341)
Capital deficiency attributable to owners of the Company		(9,642)	(26,664)
Non-controlling interests		6,951	7,650
Capital deficiency		(2,691)	(19,014)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share Capital	Convertible preference shares	Share premium	Other reserve	Share option reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016 (audited)	40,677	-	184,476	6,906	-	1,208	(259,931)	(26,664)	7,650	(19,014)
Loss for the period	-	-	-	-	-	-	(32,901)	(32,901)	(552)	(33,453)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(153)	-	(153)	(147)	(300)
Total comprehensive income for the period	-	-	-	-	-	(153)	(32,901)	(33,054)	(699)	(33,753)
Shares issued pursuant to the loan capitalisation	-	1,342	25,506	-	-	-	-	26,848	-	26,848
Recognition of equity-settled share-based payments	-	-	-	-	23,228	-	-	23,228	-	23,228
At 30 June 2016 (unaudited)	40,677	1,342	209,982	6,906	23,228	1,055	(292,832)	(9,642)	6,951	(2,691)
At 1 January 2015 (audited)	39,887	790	184,476	6,906	-	1,864	(240,335)	(6,412)	14,357	7,945
Loss for the period	-	-	-	-	-	-	(8,992)	(8,992)	(2,078)	(11,070)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	87	-	87	83	170
Total comprehensive income (expense) for the period	-	-	-	-	-	87	(8,992)	(8,905)	(1,995)	(10,900)
At 30 June 2015 (unaudited)	39,887	790	184,476	6,906	-	1,951	(249,327)	(15,317)	12,362	(2,955)

Note:

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	(11,672)	(24,281)
Cash flows from investing activities		
Interest received	99	33
Purchase of property, plant and equipment	(2,108)	(1,831)
Proceeds from disposal of property, plant and equipment	49	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,635	-
Net cash used in investing activities	(325)	(1,798)
Cash flows from financing activities		
Interests paid	(1,385)	(1,844)
New borrowings raised	11,680	44,384
Repayment of borrowings	(11,680)	(20,294)
Increase in amounts due to a non-controlling shareholder of a subsidiary	3,516	-
Increase in loans from ultimate holding company	2,430	3,121
Net cash generated from financing activities	4,561	25,367
Net decrease in cash and cash equivalents	(7,436)	(712)
Effects of foreign exchange rate changes	(90)	36
Cash and cash equivalents at beginning of the period	10,605	1,955
Cash and cash equivalents at end of the period, represented by bank balances and cash	3,079	1,279

NON-CASH TRANSACTION

On 22 January 2016, the Group entered into a loan capitalisation subscription agreement between Chinese Success Limited, which converted the loans from ultimate holding company approximately HK\$26,848,000 as at 31 December 2015 to be 536,960,000 convertible preference shares at the issue price of HK\$0.05 per convertible preference share. The loan and the relevant interests accrued amounting to approximately HK\$26,848,000 owing by the Company to Wai Chun Fund was assigned to Chinese Success Limited by a Deed of Assignment dated 22 January 2016. The loan capitalisation was approved by the Company's shareholders at the extraordinary general meeting held on 8 April 2016 and 536,960,000 convertible preference shares were issued and allotted to Chinese Success Limited accordingly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. GENERAL

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 condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

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 ultimate holding company of the Group is Wai Chun Investment Fund (“Wai Chun Fund”), a private investment fund incorporated in the Cayman Islands with limited liability.

2. BASIS OF PREPARATION

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 Accountant (“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 has been prepared in accordance with the same accounting policies in the Group’s audited financial statements for the year ended 31 December 2015, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 December 2016. Details of any changes in accounting policies are set out in note 3.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

2. BASIS OF PREPARATION (Continued)

The condensed consolidated financial statements 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 31 December 2015. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”). They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2015.

For the six months ended 30 June 2016, the Group incurred a net loss of approximately HK\$33,453,000 and had a net operating cash outflow of approximately HK\$11,672,000, and as at 30 June 2016, the Group had net current liabilities and net liabilities of approximately HK\$67,297,000 and HK\$2,691,000 respectively and also, the Group’s current liabilities exceeded its total assets and capital deficiency attributable to owners of the Company were approximately HK\$112,000 and HK\$9,642,000 respectively. These conditions indicate the existence of material uncertainty which may cast significant doubt on 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.

In order to ensure the Group’s ability to operate as a going concern, the directors of the Company have been implementing various measures as follows:

- (i) The Company has undrawn loan facilities of approximately HK\$122,422,000 granted by its ultimate holding company, Wai Chun Fund, which will unconditionally allow the Group to utilise such loan facilities and not demand the Company for repayment of any loans outstanding due to Wai Chun Fund until all the other liabilities of the Group had been satisfied;
- (ii) In addition to the loan facilities stated above, Wai Chun Fund has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due to continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the condensed consolidated financial statement;
- (iii) The Company has planned and is in negotiation with potential investors to raise sufficient funds; and
- (iv) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

2. BASIS OF PREPARATION (Continued)

The Directors have carried out a detailed review of the cash flow forecast of the Group and the Company for the twelve months from reporting date and taking into account the impact of above measures, the directors of the Company believe that the Group and the Company 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 reporting date, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Should the Group and the Company 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.

As set out in the paragraphs above, the Group intends to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the People's Republic of China (the "PRC") market and strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has been in discussions with various parties for such acquisitions or investments.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical basis except for financial instruments that are measured at fair value at the end of each reporting period.

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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new amendments to Hong Kong Financial Reporting Standards

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The application of the above amendments to HKFRSs in the current interim period has 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 2016

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and revised HKFRSs issued but not yet effective

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these interim financial statements:

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁴ Effective date yet to be determined.

The Directors do not anticipate that the application of these new and revised standards and amendments issued but not yet effective will have material impact on the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. 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:

Modified starch and other biochemical products	–	Manufacture and sale of modified starch and other biochemical products
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

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs. They are regularly reviewed by the CODM of the company.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (Continued)

Business segments

Segment revenue and results

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

Six months ended 30 June 2016

	Modified starch and other biochemical products	Footwear	General trading	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	173,610	755	17,758	192,123
Segment results	172	(3,042)	46	(2,824)
Other revenue				88
Central administration costs				(29,103)
Finance costs				(1,614)
Loss before income tax				(33,453)
Income tax expense				-
Loss for the period				(33,453)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2015

	Modified starch and other biochemical products <i>HK\$'000</i> (Unaudited)	Footwear <i>HK\$'000</i> (Unaudited)	General trading <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	132,649	2,647	29,290	164,586
Segment results	(2,434)	(2,601)	109	(4,926)
Other revenue				36
Central administration costs				(3,638)
Finance costs				(2,542)
Loss before income tax				(11,070)
Income tax expense				-
Loss for the period				(11,070)

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 2016

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment assets and liabilities

At 30 June 2016

	Modified starch and other biochemical products <i>HK\$'000</i> (Unaudited)	Footwear <i>HK\$'000</i> (Unaudited)	General trading <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Assets				
Segment assets	169,985	1,002	-	170,987
Unallocated assets				<u>176</u>
Consolidated assets				<u>171,163</u>
Liabilities				
Segment liabilities	(155,799)	(4,954)	(34)	(160,787)
Unallocated liabilities				<u>(13,067)</u>
Consolidated liabilities				<u>(173,854)</u>
Geographical assets				
Hong Kong				1,178
Macau				-
PRC				<u>169,985</u>
				<u>171,163</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment assets and liabilities (Continued)

At 31 December 2015

	Modified starch and other biochemical products <i>HK\$'000</i> (Audited)	Footwear <i>HK\$'000</i> (Audited)	General trading <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Assets				
Segment assets	144,022	3,111	599	147,732
Unallocated assets				<u>1,170</u>
Consolidated assets				<u>148,902</u>
Liabilities				
Segment liabilities	(128,411)	(3,307)	(1,391)	(133,109)
Unallocated liabilities				<u>(34,807)</u>
Consolidated liabilities				<u>(167,916)</u>
Geographical assets				
Hong Kong				4,281
Macau				599
PRC				<u>144,022</u>
				<u>148,902</u>

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 2016

4. SEGMENT INFORMATION (Continued)

Other information

Six months ended 30 June 2016

	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)
Additions to property, plant and equipment	2,088	20	-	-	2,108
Depreciation and amortisation	2,047	25	-	-	2,072
Reversal of write-down of inventories	20	-	-	-	20

Six months ended 30 June 2015

	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)
Additions to property, plant and equipment	1,831	-	-	-	1,831
Depreciation and amortisation	2,037	24	-	-	2,061
Prepayment for acquisition of property, plant and equipment	869	-	-	-	869

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (Continued)

Geographical information

For the six months ended 30 June 2016, 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 external customers and non-current assets by geographical locations:

	Revenues from external customers for the six months ended 30 June		Non-current assets	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Hong Kong	18,513	30,367	50	56
PRC	173,610	134,219	67,135	68,507
	192,123	164,586	67,185	68,563

Information on major customers

For the six months ended 30 June 2016, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$173,610,000 are revenue of approximately HK\$37,227,000, HK\$31,233,000 and HK\$22,558,000 respectively arising from sales to the Group's three largest customers. No other single customer contributed 10% or more to the Group's sale.

For the six months ended 30 June 2015, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$132,649,000 are revenue of approximately HK\$51,410,000, HK\$22,379,000 and included in revenue arising from general trading of approximately of HK\$29,290,000 are revenue of approximately of HK\$27,719,000 respectively arising from sales to the Group's three largest customers. No other single customer contributed 10% or more to the Group's sale.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (Continued)

Information on major suppliers

For the six months ended 30 June 2016, included in purchases arising from purchases of modified starch and other biochemical products of approximately HK\$177,036,000 are purchases of approximately HK\$93,811,000, HK\$16,123,000 and HK\$11,229,000 respectively arising from purchases from Group's three largest suppliers. No other single supplier contributed 10% or more to the Group's purchases.

For the six months ended 30 June 2015, included in purchases arising from purchases of modified starch and other biochemical products of approximately HK\$136,868,000 are purchases of approximately HK\$73,211,000, HK\$17,685,000 and HK\$16,082,000 respectively arising from purchases from Group's three largest suppliers. No other single supplier contributed 10% or more to the Group's purchases.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	-	-

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 2015: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Macau complementary tax is levied at a fixed rate of 12% (six months ended 30 June 2015: 12%) on the taxable income above MOP600,000 (equivalent to approximately HK\$605,000).

At the end of current interim period, the Group has unused tax losses of approximately HK\$155,516,000 (31 December 2015: approximately HK\$151,405,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

5. INCOME TAX EXPENSE (Continued)

At the end of current interim period, there was no (31 December 2015: Nil) unrecognised deferred tax liabilities, relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total unused loss of these PRC subsidiaries as at 30 June 2016 amounted to approximately HK\$10,009,000 (31 December 2015: HK\$9,360,000).

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories	186,228	162,906
Interest expenses	1,614	2,542
Depreciation of property, plant and equipment	1,708	1,658
Share-based payment expenses	23,228	–
Amortisation of prepaid leasehold land payments	364	403
Staff costs (including Directors' emoluments and retirement benefit costs)	3,737	2,882
And after crediting:		
Net exchange gain (loss)	2	(11)
Reversal of write-down of inventories	20	–

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

8. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for six months ended 30 June 2016 is based on the Group's loss attributable to owners of the Company of approximately HK\$32,901,000 (six months ended 30 June 2015: approximately HK\$8,992,000) and 16,270,685,376 ordinary shares (six months ended 30 June 2015: 15,954,685,376 ordinary shares) during the period.

Diluted loss per share

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to share options. The calculation of diluted loss per share in the current period does not assume the exercise of the share options since their exercise would result in a decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

There were no potential dilutive ordinary shares held by the Company in the last period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$2,108,000 (For the year ended 31 December 2015: approximately HK\$2,742,000).

10. PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments represent prepayments of land use rights premium to the PRC government authority. The Group's land use rights are located in the PRC for industrial purpose. The Group's land use rights are granted for a period of 50 years and are classified as long-term lease.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

11. TRADE AND BILLS RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables	36,884	30,778
Bills receivables	1,818	179
	38,702	30,957
Less: provision for impairment	(7,496)	(7,496)
Total	31,206	23,461

The Group allows average credit period of 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, as at the reporting date, is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0-30 days	15,870	11,149
31-60 days	8,130	3,305
61-90 days	2,565	2,218
91-180 days	1,529	4,331
Over 180 days	3,112	2,458
Total	31,206	23,461

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

11. TRADE AND BILLS RECEIVABLES (Continued)

The aging analysis of trade and bills receivables which are past due but not impaired, is as follows:

Overdue by:	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0-30 days	–	–
31-60 days	–	–
61-90 days	–	–
91-180 days	2,493	2,243
Over 180 days	619	215
Total	3,112	2,458

As at 30 June 2016, trade receivables of approximately HK\$3,112,000 (31 December 2015: approximately HK\$2,458,000) were past due but not impaired, as the balances were related to customers with sound repayment history and no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Prepayments for inventories	4,569	4,631
Value-added Tax recoverable	2,090	205
Other prepayments	1,659	2,074
Rental and utilities deposits	633	633
Other receivables	382	295
Total	9,333	7,838

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Financial assets, designated as at fair value through profit or loss	-	1,669

Financial assets at fair value through profit or loss were issued by a reputable bank in the PRC. The fair value of the financial assets at fair value through profit or loss has been determined based on the quoted price from bank at reporting date.

14. TRADE AND BILLS PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables	66,599	36,210
Bills payables	2,032	7,453
Total	68,631	43,663

The average credit period on purchases of goods ranges from 30 to 180 days (31 December 2015: 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 and bills payables based on the invoice date:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0-30 days	46,810	30,138
31-60 days	5,803	3,099
61-90 days	3,235	8,258
91-180 days	11,857	225
Over 180 days	926	1,943
Total	68,631	43,663

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

15. BORROWINGS

		30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
	<i>Note</i>		
Bank loans, secured	(a)	50,222	51,276
Loan from an independent third party, unsecured	(b)	2,570	2,570
Total		52,792	53,846

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 in the PRC with carrying amounts of approximately HK\$20,684,000 (31 December 2015: approximately HK\$21,345,000). All bank loans are denominated in Renminbi with variable interest rates from 5% to 6.6% (31 December 2015: 5% to 6.6%) per annum.
- (b) Bearing interest at 1% above Hong Kong Prime Rate per annum.

16. LOANS FROM ULTIMATE HOLDING COMPANY

The loans were sub-ordinated in nature which were unsecured, interest bearing at 6.25% for both years. The ultimate holding company, Wai Chun Fund, has confirmed that the outstanding balance of its current account at the period end will not demand the Company for repayment of any loans outstanding due to Wai Chun Fund until all the other liabilities of the Group had been satisfied.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17. SHARE CAPITAL

	Number of ordinary shares of HK\$0.0025 each	Amount HK\$'000
Authorised:		
Balances as at 1 January 2015, 31 December 2015 and 30 June 2016	40,000,000,000	100,000
Issued and fully paid:		
Balances as at 1 January 2015	15,954,685,376	39,887
Conversion of convertible preference shares	316,000,000	790
Balance as at and 31 December 2015, 1 January 2016 and 30 June 2016	16,270,685,376	40,677

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

18. CONVERTIBLE PREFERENCE SHARES

	<i>Note</i>	Number of convertible preference shares of HK\$0.0025 each	Amount <i>HK\$'000</i>
Authorised:			
Balances as at 1 January 2015,			
31 December 2015 and 30 June 2016		816,000,000	2,040
Issued and fully paid:			
Balances as at 1 January 2015		316,000,000	790
Conversion of convertible preference shares		(316,000,000)	(790)
Balance as at and 31 December 2015 and 1 January 2016		–	–
Shares issued pursuant to the loan capitalisation	<i>(a)</i>	536,960,000	1,342
Balance as at 30 June 2016		536,960,000	1,342

The convertible preference shares are non-redeemable, carrying 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.

Note (a):

On 22 January 2016, the Group entered into a loan capitalisation subscription agreement between Chinese Success Limited, which converted the loans from ultimate holding company approximately HK\$26,848,000 as at 31 December 2015 to be 536,960,000 convertible preference shares at the issue price of HK\$0.05 per convertible preference share. The loan and the relevant interests accrued amounting to approximately HK\$26,848,000 owing by the Company to Wai Chun Fund was assigned to Chinese Success Limited by a Deed of Assignment dated 22 January 2016. The loan capitalisation was approved by the Company's shareholders at the extraordinary general meeting held on 8 April 2016 and 536,960,000 convertible preference shares were issued and allotted to Chinese Success Limited accordingly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Lease payments 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	3,188	3,188
In the second to fifth years inclusive	1,063	2,657
Total	4,251	5,845

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

20. PLEDGE OF ASSETS

The Group's prepaid land lease payments in the PRC with carrying amounts of approximately HK\$20,684,000 (31 December 2015: approximately HK\$21,345,000) have been pledged to secure the bank loans and general banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since period end.

Fair value measurement

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair value are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used).

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)		
Financial assets				
Financial assets designated at fair value through profit or loss	–	1,669	Level 1	Quoted prices in an active market

At the end of current interim period, the Group had no fair value measurements of financial instruments.

Except the financial assets that are measured at fair value, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

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 party	Relationship
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)		
Wai Chun Holdings Group Limited	Rental expenses	1,594	1,594	Lam Ching Kui	Director
Wai Chun Investment Fund	Interest expenses	149	619	Lam Ching Kui	Director

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

		30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
	<i>Note</i>		
Amounts due to a non-controlling shareholder of a subsidiary		19,508	16,328
Loans from ultimate holding company	<i>(a)</i>	2,579	26,849
Total		22,087	43,177

Note (a):

On 22 January 2016, the Group entered into a loan capitalisation subscription agreement between Chinese Success Limited, which converted the loans from ultimate holding company approximately HK\$26,848,000 as at 31 December 2015 to be 536,960,000 convertible preference shares at the issue price of HK\$0.05 per convertible preference share. The loan and the relevant interests accrued amounting to approximately HK\$26,848,000 owing by the Company to Wai Chun Fund was assigned to Chinese Success Limited by a Deed of Assignment dated 22 January 2016. The loan capitalisation was approved by the Company's shareholders at the extraordinary general meeting held on 8 April 2016 and 536,960,000 convertible preference shares were issued and allotted to Chinese Success Limited accordingly.

(c) Key management personnel remuneration

The remuneration of directors of the Company and other members of key management personnel during the periods were as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short-term employee benefits	2,128	2,025
Defined contribution retirement plans	36	35
Total	2,164	2,060

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

23. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme was adopted pursuant to resolution passed on 22 July 2015 (the "New Share Option Scheme"), the Company may, at their discretion, invite executive or non-executive director, employee (whether full-time or part-time), chief executive, substantial shareholder, consultant, professional and other advisers to take up options.

As at 30 June 2016, the number of shares in respect of the options granted and remained outstanding under the New Share Option Scheme was 699,639,467, representing 4.3% of the issued shares of the Company. As at the date of this interim report, the number of shares available for issue under the New Share Option Scheme was 927,429,071, representing 5.7% of the issued shares of the Company.

Movements of the Company's share options held by consultants and employee during the period ended 30 June 2016 are set out below:

Category of participants	Number of share options			As at 30 June 2016	Date of grant	Exercise period	Exercise price HK\$
	As at 1 January 2016	Granted	Exercised				
Consultants	-	536,932,614	-	536,932,614	12 January 2016	12 January 2016 to 11 January 2021	0.0686
Employee	-	162,706,853	-	162,706,853	12 January 2016	12 January 2016 to 11 January 2021	0.0686
Total	-	699,639,467	-	699,639,467			
Exercise price	-	0.0686	-	0.0686			

On 12 January 2016, the Company granted a total of 699,639,467 share options under the Scheme to consultants and employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 12 January 2016 to 11 January 2021. The options will entitle the grantees to subscribe for a total of 699,639,467 new shares of HK\$0.0025 each at an exercise price of HK\$0.0686 per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

23. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair values of the options determined at the date of grant was calculated by independent valuer “Peak Vision Appraisals Limited” using the binomial option pricing model. The following assumptions were used to calculate the fair values of share options:

	2016
Exercise price (HK\$)	0.0686
Share price at the date of grant (HK\$)	0.0660
Dividend yield (%)	–
Expected volatility (%)	93.245
Risk-free interest rate (%)	0.941
Expected life of options (years)	5

The binomial option model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The fair value of the share options granted during the period ended 30 June 2016 was approximately HK\$23,228,000. The fair value per option granted was HK cents 3.32. The Group recognised share-based payment expenses of approximately HK\$23,228,000 for the period ended 30 June 2016.