WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED

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

偉俊

INTERIM REPORT 2018

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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

P. O. Box 3119
Grand Pavilion,
Hibiscus Way,
802 West Bay Road,
Grand Cayman KY1-1205
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

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 2018 together with the comparative figures for the corresponding period in 2017.

FINANCIAL REVIEW

Financial Performance

For the six months ended 30 June 2018, the Group recorded a turnover of approximately HK$243,001,000 (six months ended 30 June 2017: approximately HK$226,923,000), representing an increase of 7.1% as compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin of approximately HK$8,326,000 and 3.4% respectively for the six months ended 30 June 2018, representing increases of approximately HK$2,166,000 and of 35.1% respectively as compared with the gross profit of approximately HK$6,160,000 and gross profit margin of 2.7% in the first half of 2017. Such increases were mainly due to the increase in the market demand of the modified starch and other biochemical products during the period.

Administrative expenses increased by 42.4% from approximately HK$8,624,000 in the first half of 2017 to approximately HK$12,288,000 for the corresponding period this year. Such increase is mainly due to an increase in legal fee of approximately HK$842,000 and a surcharge for overdue land tax payment of approximately HK$950,000. Selling expenses recorded a decrease of 5.5% from approximately HK$3,366,000 in the first half of 2017 to approximately HK$3,180,000 for the corresponding period this year.

Loss attributable to owners of the Company amounted to approximately HK$6,729,000, representing an increase of 7.5% as compared with the loss of approximately HK$6,259,000 for the corresponding period last year. The increase in the loss was mainly attributable to the increase administrative expenses mentioned above.

Financial Resources and Position

As at 30 June 2018, the Group had net current liabilities of approximately HK$81,109,000 (31 December 2017: approximately HK$81,664,000) and cash and cash equivalents of approximately HK$13,409,000 (31 December 2017: approximately HK$5,822,000).

As at 30 June 2018, the current ratio of the Group was approximately 0.49 times (31 December 2017: approximately 0.47 times). The net debts (net of cash and cash equivalents) to total assets ratio of the Group was approximately 53.3% (31 December 2017: 60.4%). Total borrowings of the Group amounted to approximately HK$95,178,000, comprising secured bank loan of approximately RMB52,700,000 (equivalent to HK$65,055,000), and loans from ultimate holding company of approximately HK$30,123,000. The bank loan is denominated in Renminbi and the loans from the ultimate holding company is denominated in Hong Kong Dollars. All of these borrowings are bearing interest at prevailing market interest rates.

During the six months ended 30 June 2018, 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 other material foreign exchange risk.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group continued to engage in the manufacture and sale of modified starch and other biochemical products and general trading.

During the period under review, the business of manufacture and sales of modified starch and biochemical products recorded segment profits of approximately HK$3,417,000 (six months ended 30 June 2017: segment profits of approximately HK$90,000). Such increase was mainly due to the increase in the market demand of the modified starch and other biochemical products business. The business of general trading recorded segment profits of approximately HK$108,000 during the period (six months ended 30 June 2017: segment loss of approximately HK$2,820,000).

The Group will continue 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 to 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.

In order to ensure the Group's financial ability to operate as a going concern, the Directors of the Company have been implementing various measures including the provision of loan facilities by the ultimate holding company, conducting negotiation with potential investors to raise sufficient funds; and 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.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

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

As at 30 June 2018, 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

	Ordinary shares of HK$0.0025 each			
Name of Director	Capacity	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	8,115,024,320 (Note)	48.91%

Note: Mr. Lam Ching Kui is the beneficial owner of Oriental Success Ventures Limited which is deemed to be interested in 7,898,064,320 shares and 216,960,000 convertible preference shares of the Company held by Chinese Success Limited, a wholly owned subsidiary of Oriental Success Ventures Limited.

Other than as disclosed above, as at 30 June 2018, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, 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

		Ordinary shares of HK$0.0025 each	
Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate percentage of issued share capital
Chinese Success Limited (Note 1)	Beneficial owner	8,115,024,320	48.91%
Oriental Success Ventures Limited	Interest of controlled corporation (Note 1)	8,115,024,320	48.91%
Onward Global Investments Limited ("Onward Global") (Note 2)	Beneficial owner	1,286,350,000	7.75%
Wan Yuzhen (Note 2)	Interest of controlled corporation	1,286,350,000	7.75%
Spring Garden Investments Limited ("Spring Garden") (Note 3)	Beneficial owner	1,286,400,000	7.75%
Zhong Liyan (Note 3)	Interest of controlled corporation	1,286,400,000	7.75%
Fair Concourse Limited ("Fair Concourse") (Note 4)	Beneficial owner	1,412,704,000	8.51%
Mai Xiu Qun (Note 4)	Interest of controlled corporation	1,412,704,000	8.51%
South Bright Holdings Limited ("South Bright") (Note 5)	Beneficial owner	1,017,233,702	6.13%
Wan Qian Yi (Note 5)	Interest of controlled corporation	1,017,233,702	6.13%

Notes:

(1) Chinese Success Limited, which is wholly owned by Oriental Success Ventures Limited, holds (i) 7,898,064,320 shares of the Company and (ii) 216,960,000 convertible preference shares of the Company, which is convertible to 216,960,000 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 Oriental Success Ventures Limited. Mr. Lam Ching Kui is the director of Chinese Success Limited and Oriental Success Ventures Limited.

(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.

(4) The 1,412,704,000 shares of the Company were held by Fair Concourse Limited which is wholly owned by Mai Xiu Qun. For the purpose of SFO, Mai Xiu Qun is deemed to be interested in these 1,412,704,000 shares held by Fair Concourse.

(5) The 1,017,233,702 shares of the Company were held by South Bright Holdings Limited which is wholly owned by Wan Qian Yi. For the purpose of SFO, Wan Qian Yi is deemed to be interested in these 1,017,233,702 shares held by South Bright.

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 2018, 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 ("Share Option Scheme"). Particulars of the 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 2018, the Group had a total of 158 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 2018 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.

OTHER INFORMATION

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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code ("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 2018, 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 Company's financial reporting system (including the adequacy of resources, qualifications and experience of staff in charge of the Company'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 2018.

On behalf of the Board
Wai Chun Mining Industry Group Company Limited
Lam Ching Kui
Chairman and Chief Executive Officer

Hong Kong, 24 August 2018

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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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 12 to 46, which comprise the condensed consolidated statement of financial position as at 30 June 2018 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-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with 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 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.

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 2018 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 attributable to owners of the Company of approximately HK$6,729,000 for the six months ended 30 June 2018, and as at that date, the Group had net current liabilities and net liabilities of approximately HK$81,109,000 and HK$37,613,000 respectively and also, the Group's capital deficiency attributable to owners of the Company was approximately HK$40,030,000. 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, 24 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Turnover	4	**243,001**	226,923
Cost of sales		**(234,675)**	(220,763)
Gross profit		**8,326**	6,160
Other revenue		**4,501**	1,924
Selling expenses		**(3,180)**	(3,366)
Administrative expenses		**(12,288)**	(8,624)
Impairment loss on trade and bills receivables	11	**(470)**	–
Finance costs		**(2,435)**	(2,053)
Loss before tax		**(5,546)**	(5,959)
Income tax expense	5	**(58)**	(17)
Loss for the period	6	**(5,604)**	(5,976)
(Loss) profit for the period attributable to:			
– Owners of the Company		**(6,729)**	(6,259)
– Non-controlling interests		**1,125**	283
		(5,604)	(5,976)
Loss per share	8	**HK cents**	HK cents
– Basic		**(0.04)**	(0.04)
– Diluted		**(0.04)**	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(5,604)**	(5,976)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**10**	258
Other comprehensive income, net of tax	**10**	258
Total comprehensive expense for the period	**(5,594)**	(5,718)
Total comprehensive income (expenses) attributable to:		
– Owners of the Company	**(6,724)**	(6,128)
– Non-controlling interests	**1,130**	410
	(5,594)	(5,718)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**42,391**	42,695
Prepaid land lease payments	10	**31,228**	32,004
		73,619	74,699
Current assets			
Inventories		**34,574**	25,969
Prepaid land lease payments	10	**725**	735
Trade and bills receivables	11	**16,984**	22,518
Deposits, prepayments and other receivables	12	**12,634**	14,096
Financial assets at fair value through profit or loss	13	**1,541**	3,567
Bank balances and cash		**13,409**	5,822
		79,867	72,707
Current liabilities			
Trade payables	14	**62,383**	61,633
Accruals and other payables		**28,893**	22,846
Contract liabilities		**4,628**	–
Tax payables		**17**	61
Amounts due to a non-controlling shareholder of a subsidiary	22(b)	**–**	9,903
Borrowings	15	**65,055**	59,928
		160,976	154,371
Net current liabilities		**(81,109)**	(81,664)
Total assets less current liabilities		**(7,490)**	(6,965)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current liability			
Loans from ultimate holding company	16	**30,123**	25,054
Net liabilities		**(37,613)**	(32,019)
Capital and reserves			
Share capital – ordinary shares	17	**41,477**	41,477
Share capital – convertible preference shares	18	**542**	542
Reserves		**(82,049)**	(75,325)
Capital deficiency attributable to owners of the Company		**(40,030)**	(33,306)
Non-controlling interests		**2,417**	1,287
Capital deficiency		**(37,613)**	(32,019)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Convertible preference shares HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Share option reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018 (audited)	**41,477**	**542**	**209,982**	**6,906**	**23,228**	**1,058**	**(316,499)**	**(33,306)**	**1,287**	**(32,019)**
(Loss) profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(6,729)**	**(6,729)**	**1,125**	**(5,604)**
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**5**	**-**	**5**	**5**	**10**
Total comprehensive income (expense) for the period	**-**	**-**	**-**	**-**	**-**	**5**	**(6,729)**	**(6,724)**	**1,130**	**(5,594)**
At 30 June 2018 (unaudited)	**41,477**	**542**	**209,982**	**6,906**	**23,228**	**1,063**	**(323,228)**	**(40,030)**	**2,417**	**(37,613)**
At 1 January 2017 (audited)	40,677	1,342	209,982	6,906	23,228	775	(299,100)	(16,190)	4,357	(11,833)
(Loss) profit for the period	-	-	-	-	-	-	(6,259)	(6,259)	283	(5,976)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	131	-	131	127	258
Total comprehensive income (expense) for the period	-	-	-	-	-	131	(6,259)	(6,128)	410	(5,718)
At 30 June 2017 (unaudited)	40,677	1,342	209,982	6,906	23,228	906	(305,359)	(22,318)	4,767	(17,551)

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 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash (used in) generated from operating activities	**(1,223)**	1,366
Investing activities		
Interest received	**151**	66
Proceeds from disposal of property, plant and equipment	**146**	–
Purchase of financial assets at fair value through profit and loss	**(1,600)**	–
Proceeds from disposal of financial assets at fair value through profit and loss	**3,657**	–
Purchase of property, plant and equipment	**(3,143)**	(5,006)
Placement of pledged bank deposits	**–**	(5,759)
Net cash used in investing activities	**(789)**	(10,699)
Financing activities		
Interest paid	**(1,488)**	(1,419)
New borrowings raised	**11,943**	5,370
Repayment of borrowings	**(5,848)**	–
Decrease in amounts due to a non-controlling shareholder of a subsidiary	**–**	(2,846)
Increase in loans from ultimate holding company	**4,199**	4,190
Net cash generated from financing activities	**8,806**	5,295
Net increase (decrease) in cash and cash equivalents	**6,794**	(4,038)
Effects of foreign exchange rate changes	**793**	428
Cash and cash equivalents at beginning of the period	**5,822**	6,464
Cash and cash equivalents at end of the period, represented by bank balances and cash	**13,409**	2,854

Note: During the period, the non-controlling shareholder of a subsidiary has been changed. The amounts due to a non-controlling shareholder of a subsidiary has been reclassified to other payable, therefore, no cash flow effect has been occurred.

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). In the opinion of the Directors of the Company, the ultimate holding company of the Company is Oriental Success Ventures Limited ("**Oriental Success**"), which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lam Ching Kui ("**ultimate controlling party**"), who is the chairman of the Board of Directors and an executive director of the Company. The address of the registered office of the Company is P.O. Box 3119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and the principal place of business of the Company is 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The principal activities of the Group are the manufacture and sale of modified starch and other biochemical products and general trading including, the trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes, and trading of electronic parts and components and electrical appliances.

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 condensed consolidated financial statements were approved for issue by the Board of Directors on 24 August 2018.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 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 in accordance with the same accounting policies in the Group's audited financial statements for the year ended 31 December 2017, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 December 2018. 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.

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 2017. 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 2017.

For the six months ended 30 June 2018, the Group incurred a net loss attributable to owners of the Company of approximately HK$6,729,000, and as at that date, the Group had net current liabilities and net liabilities of approximately HK$81,109,000 and HK$37,613,000 respectively and also, the Group's capital deficiency attributable to owners of the Company was approximately HK$40,030,000. 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 follow:

(i) As at 30 June 2018, the Company has undrawn loan facilities of approximately HK$100,877,000 granted by Oriental Success, its ultimate holding company, which will be provided on a subordinated basis, i.e. Oriental Success will not demand the Company for repayment of such loans outstanding until all the other liabilities of the Group had been satisfied;

(ii) In addition to the loan facilities granted by Oriental Success as stated above, the ultimate controlling party 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 so that the Group can 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 statements;

(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.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the coverage period to 30 September 2019, 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 the date of this report, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION (Continued)

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.

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

Other than changes in accounting policies resulting from application of new and amendments of Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Properties

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial instruments

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial instruments (Continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, fixed bank deposit and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The ECL on trade receivables are assessed for customers with significant balances individually and/or collectively using a provision matrix with appropriate groupings.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

3.1.2 Effect arising from initial application of HKFRS 9

As at 1 January 2018, the Group's financial assets consist of trade and other receivables, and bank balances and cash that are recognised at amortised cost. The Group applies the HKFRS 9 simplified approach to measuring ECL using a lifetime expected loss allowance for all trade receivables. For other financial assets at amortised cost mainly comprise of other receivables, fixed bank deposit and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. The Group assessed that the application of HKFRS 9 will not have a material impact on the trade receivables as at 1 January 2018 as the probability of default is immaterial. Specifically, fixed bank deposit and bank balances and cash are also subject to the impairment requirements of HKFRS 9 and due to their nature, the expected loss allowance is immaterial.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.2 Effect arising from initial application of HKFRS 9 (Continued)

The following table below explains the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39 HK$'000	New carrying amount under HKFRS 9 HK$'000
Financial assets				
Financial assets at fair value through profit or loss	Designated as at FVTPL	Mandatorily at FVTPL	3,567	3,567
Trade and bills receivables	Loan and receivables	Amortised cost	22,518	22,518
Deposits and other receivables	Loan and receivables	Amortised cost	8,377	8,377
Bank balances and cash	Loan and receivables	Amortised cost	5,822	5,822
Total financial assets			40,284	40,284

3.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from contracts with customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

Revenue from contracts with customers primarily consist of the following sources:

- Manufacture and sale of modified starch and other biochemical products
- General trading of electronic parts and electrical appliances, athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from contracts with customers (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from contracts with customers (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3.2.2 Effect arising from initial application of HKFRS 15

"Receipts in advance from customers" in relation to deposits or payments received in advance for manufacture and sale of modified starch and other biochemical products, which was previously included in "Other payables and accruals" has been reclassified as "Contract liabilities".

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 HK$'000	Reclassification HK$'000	**Carrying amounts under HKFRS 15 at 1 January 2018 HK$'000**
Current liabilities			
Accruals and other payables	22,846	(8,159)	**14,687**
Contract liabilities	–	8,159	**8,159**

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from contracts with customers (Continued)

3.2.2 Effect arising from initial application of HKFRS 15 (Continued)

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities			
Accruals and other payables	28,893	4,628	33,521
Contract liabilities	4,628	(4,628)	–

At the date of initial application, the Group has assessed that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

New and amendments to HKFRSs issued but not yet effective

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date to be determined.

The Directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have any material impact on the condensed consolidated financial statements.

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
General trading – Trading of electronic parts and electrical appliances, athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes.

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

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 2018

	Modified starch and other biochemical products HK$'000 (Unaudited)	General trading HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue	220,951	22,050	243,001
Segment results	3,417	108	3,525
Other revenue			901
Central administration costs			(7,537)
Finance costs			(2,435)
Loss before tax			(5,546)
Income tax expense			(58)
Loss for the period			(5,604)

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2017

	Modified starch and other biochemical products HK$'000 (Unaudited)	General trading HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue	203,279	23,644	226,923
Segment results	90	(2,820)	(2,730)
Other revenue			1,924
Central administration costs			(3,100)
Finance costs			(2,053)
Loss before tax			(5,959)
Income tax expense			(17)
Loss for the period			(5,976)

Segment assets and liabilities

At 30 June 2018

	Modified starch and other biochemical products HK$'000 (Unaudited)	**General trading HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Assets			
Segment assets	**150,477**	**–**	**150,477**
Unallocated assets			**3,009**
Consolidated assets			**153,486**
Liabilities			
Segment liabilities	**(145,545)**	**(944)**	**(146,489)**
Unallocated liabilities			**(44,610)**
Consolidated liabilities			**(191,099)**
Geographical assets			
Hong Kong			**3,009**
PRC			**150,477**
			153,486

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment assets and liabilities (Continued)

At 31 December 2017

	Modified starch and other biochemical products HK$'000 (Audited)	General trading HK$'000 (Audited)	Total HK$'000 (Audited)
Assets			
Segment assets	145,827	1,229	147,056
Unallocated assets			350
Consolidated assets			147,406
Liabilities			
Segment liabilities	(143,201)	(2,931)	(146,132)
Unallocated liabilities			(33,293)
Consolidated liabilities			(179,425)
Geographical assets			
Hong Kong			1,573
Macau			6
PRC			145,827
			147,406

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

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

4. SEGMENT INFORMATION (Continued)

Other segment information

Six months ended 30 June 2018

	Modified starch and other biochemical products HK$'000 (Unaudited)	General trading HK$'000 (Unaudited)	Unallocated HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Additions to property, plant and equipment	**3,143**	**–**	**–**	**3,143**
Depreciation and amortisation	**2,705**	**–**	**67**	**2,772**
Impairment loss on trade and bills receivables	**470**	**–**	**–**	**470**
Reversal of impairment on deposits, prepayments and other receivables	**(355)**	**–**	**–**	**(355)**
Reversal of write-down of inventories	**(3,601)**	**–**	**–**	**(3,601)**

Six months ended 30 June 2017

	Modified starch and other biochemical products HK$'000 (Unaudited)	General trading HK$'000 (Unaudited)	Unallocated HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Additions to property, plant and equipment	5,002	4	–	5,006
Depreciation and amortisation	2,036	68	–	2,104
Reversal of write-down of inventories	(517)	–	–	(517)

4. SEGMENT INFORMATION (Continued)

Geographical information

For the six months ended 30 June 2018 and 2017, 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:

	Revenue from external customers for the six months ended 30 June		Non-current assets	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
Hong Kong	**22,050**	23,644	**464**	531
PRC	**220,951**	203,279	**73,155**	74,168
	243,001	226,923	**73,619**	74,699

Information on major customers

Revenues from customers from manufacturing and sale of modified starch and other biochemical products of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

	Six months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Customer A	**64,612**	44,711
Customer B	**N/A[1]**	43,724
Customer C	**31,365**	N/A[1]
Customer D	**N/A[1]**	23,644

[1] The corresponding revenue did not contribute over 10% of the total turnover of the Group.

No other single customer contributes 10% or more to the Group's turnover.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	**58**	17

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% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The provision for Macau Complementary Tax is calculated at 12% (six months ended 30 June 2017: 12%) of the estimated assessable profits for the period. Assessable profit of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately HK$583,000) (six months ended 30 June 2017: MOP600,000 (equivalent to approximately HK$567,000) are exempted from Macau Complementary Tax.

At the end of current interim period, the Group has unused tax losses of approximately HK$166,079,000 (31 December 2017: approximately HK$164,224,000) 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.

There was no unrecognised deferred tax liabilities, relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries in both periods, 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 2018 amounted to approximately HK$19,731,000 (31 December 2017: approximately HK$23,547,000).

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**234,637**	220,015
Interest expenses	**2,435**	2,053
Impairment loss on trade and bills receivables	**470**	–
Depreciation on property, plant and equipment	**2,395**	1,759
Amortisation of prepaid land lease payments	**377**	345
Staff costs (including Directors' emoluments and retirement benefit costs)	**5,436**	4,869
And after crediting:		
Net exchange gain	**5**	2
Reversal of impairment of deposits, prepayment and other receivables	**355**	–
Reversal of write-down of inventories	**3,601**	517

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

8. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for six months ended 30 June 2018 is based on the Group's loss attributable to owners of the Company of approximately HK$6,729,000 (six months ended 30 June 2017: approximately HK$6,259,000) and the number of 16,590,685,376 ordinary shares (six months ended 30 June 2017: 16,270,685,376 ordinary shares) in issue.

8. LOSS PER SHARE (Continued)

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 and convertible preference shares. The calculation of diluted loss per share in the current period does not assume the exercise of the share options and the conversion of convertible preference shares 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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment at a total cost of approximately HK$3,143,000 (for the year ended 31 December 2017: approximately HK$8,274,000).

10. PREPAID LAND LEASE PAYMENTS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Carrying amount:		
At beginning of the period/year	**32,739**	31,128
Exchange difference	**(409)**	2,316
Amortisation	**(377)**	(705)
At end of the period/year	**31,953**	32,739
Analysed for reporting purposes as:		
Current portion	**725**	735
Non-current portion	**31,228**	32,004
At end of the period/year	**31,953**	32,739

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.

11. TRADE AND BILLS RECEIVABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables	30,329	35,547
Bills receivables	154	–
	30,483	35,547
Less: Provision for impairment	(13,499)	(13,029)
Total	16,984	22,518

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 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
0-30 days	13,099	10,322
31-60 days	1,659	6,471
61-90 days	1,434	2,032
91-180 days	792	3,693
Total	16,984	22,518

The movements in the provision for impairment of trade and bills receivables are as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Balance at beginning of the period/year	13,029	9,438
Provision for impairment	470	3,591
Balance at end of the period/year	13,499	13,029

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Prepayments for inventories	**908**	3,984
Other prepayments	**2,122**	1,735
Rental and utilities deposits	**719**	761
Other receivables	**8,885**	7,616
Total	**12,634**	14,096

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Wealth management products	**1,541**	3,567

14. TRADE PAYABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade payables	**62,383**	61,633

The average credit period on purchases of goods ranges from 30 to 180 days (31 December 2017: 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 based on the invoice date:

14. TRADE PAYABLES (Continued)

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
0-30 days	**22,619**	18,367
31-60 days	**1,208**	2,746
61-90 days	**36,772**	39,084
91-180 days	**715**	360
Over 180 days	**1,069**	1,076
Total	**62,383**	61,633

15. BORROWINGS

	Notes	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
Bank loans, secured	(a)	**62,485**	57,358
Loan from an independent third party, unsecured	(b)	**2,570**	2,570
Total		**65,055**	59,928

Notes:

(a) It was guaranteed by an independent third party and secured by the pledge of the prepaid land lease payments with an aggregate carrying amounts of approximately HK$20,095,000 (31 December 2017: approximately HK$20,587,000). All bank loans are denominated in Renminbi with variable interest rates ranging from 4.3% to 5.2% (31 December 2017: 4.1% to 5.0%) per annum.

(b) Bearing interest at 1% above Hong Kong Prime Rate per annum. The loan is repayable on demand.

16. LOANS FROM ULTIMATE HOLDING COMPANY

The loans were sub-ordinated in nature, unsecured, bearing interest at 6.25% for both years. The ultimate holding company, Oriental Success, has confirmed that she will not demand the Company to repay any loans outstanding due to her until all the other liabilities of the Group had been satisfied.

17. SHARE CAPITAL – ORDINARY SHARES

	Notes	Number of shares of HK$0.0025 each	Amount HK$'000
Authorised:			
Balance as at 1 January 2017, 31 December 2017 and 30 June 2018		40,000,000,000	100,000
Issued and fully paid:			
Balance as at 1 January 2017		16,270,685,376	40,677
Conversion of convertible preference shares	(a)	320,000,000	800
Balance as at 31 December 2017, 1 January 2018 and 30 June 2018	(b)	16,590,685,376	41,477

Notes:

(a) On 6 December 2017, 320,000,000 of the convertible preference shares were converted into 320,000,000 ordinary shares of the Company by crediting the share capital of HK$800,000.

(b) The shares issued rank pari passu with other shares in issue in all respect.

18. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of convertible preference shares of HK$0.0025 each	Amount HK$'000
Authorised:		
Balance as at 1 January 2017, 31 December 2017 and 30 June 2018	816,000,000	2,040
Issued and fully paid:		
Balance as at 1 January 2017	536,960,000	1,342
Conversion of convertible preference shares	(320,000,000)	(800)
Balance as at 31 December 2017, 1 January 2018 and 30 June 2018	216,960,000	542

18. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES (Continued)

The convertible preference shares were issued on 22 January 2016 and non-redeemable, carry no voting right and each of the convertible preference share is convertible into one ordinary share at any time 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.

19. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Lease payments in respect of rented premises paid under operating leases during the period	**1,844**	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 2018	31 December 2017
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Within one year	**588**	584

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$20,095,000 (31 December 2017: approximately HK$20,587,000) have been pledged to secure the bank loans and general banking facilities granted to the Group.

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 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 2017.

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 observable market 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 (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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).

Financial assets	Fair value as at 30 June 2018 HK$'000 (Unaudited)	Fair value as at 31 December 2017 HK$'000 (Audited)	Fair value hierarchy	Valuation technique and key inputs
Financial assets designated at fair value through profit or loss	**–**	3,567	Level 1	Quoted prices in an active market
Financial assets mandatorily at fair value through profit or loss	**1,541**	–	Level 2	Market comparison method. The valuation refers to the expected return rates announced by the bank

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.

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	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 June 2017 HK$'000 (Unaudited)	Interested party	Relationship
Wai Chun Holdings Group Limited	Rental expenses	**1,753**	1,594	Lam Ching Kui	Director
Oriental Success	Interest expenses	**870**	555	Lam Ching Kui	Director

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Rental expenses payable to Wai Chun Holdings Group Limited (Note i)	**4,609**	2,856
Amounts due to a non-controlling shareholder of a subsidiary	**–**	9,903
Loans from ultimate holding company (Note 16)	**30,123**	25,054
Salary payable to a director	**2,591**	2,591
Salary payable to Ms. Chan Oi Mo (Note ii)	**353**	353

Notes:

(i) Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam, a director of the Company, and as to 50% by Ms. Chan Oi Mo, the spouse of Mr. Lam.

(ii) Ms. Chan Oi Mo is the spouse of Mr. Lam, a director of the Company.

(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	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Short-term employee benefits	**1,113**	1,096
Defined contribution retirement plans	**43**	36
Total	**1,156**	1,132

23. SHARE-BASED PAYMENT

The Company's share option scheme was adopted pursuant to resolution passed on 22 July 2015 (the "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 31 December 2017 and 30 June 2018, the number of shares in respect of the options granted and remained outstanding under the Share Option Scheme was 699,639,467, representing 4.2% of the issued shares of the Company. As at the date of this interim report, no share was available for further issue under the Share Option Scheme.

Movements of the Company's share options held by consultants and an employee during the period ended 30 June 2018 are set out below:

	Number of share options						
Category of participants	**As at 1 January 2018**	**Granted**	**Exercised**	**As at 30 June 2018**	**Date of grant**	**Exercise period**	**Exercise price HK$**
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 Share Option Scheme to consultants and an 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.

23. SHARE-BASED PAYMENT (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:

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 at the date of grant was approximately HK$23,228,000, of which the Group recognised the entire amount as an expense during the year ended 31 December 2016. The fair value per option granted was HK cents 3.32.

24. SUBSEQUENT EVENT

On 16 July 2018, the Company granted a total of 895,829,070 share options under the Share Option Scheme to consultants and an employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 16 July 2018 to 15 July 2023. The options will entitle the grantees to subscribe for a total of 895,829,070 new shares of HK$0.0025 each at an exercise price of HK$0.072 per share.

25. COMPARATIVE FIGURES

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