



**WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED**

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 0660)

2017  
INTERIM  
REPORT

# CONTENTS



Page	
2	Corporate Information
3	Management Discussion and Analysis
6	Other Information
11	Report on Review of Condensed Consolidated Financial Statements
13	Condensed Consolidated Statement of Profit or Loss
14	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
15	Condensed Consolidated Statement of Financial Position
17	Condensed Consolidated Statement of Changes in Equity
18	Condensed Consolidated Statement of Cash Flows
19	Notes to the Condensed Consolidated Financial Statements

## 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  
Chu Kwan Yau, Janice

### COMPANY SECRETARY

Chu Kwan Yau, Janice

### 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 2017 together with the comparative figures for the corresponding period in 2016.

## FINANCIAL REVIEW

### Financial Performance

For the six months ended 30 June 2017, the Group recorded a turnover of approximately HK\$226,923,000 (six months ended 30 June 2016: approximately HK\$192,123,000), representing an increase of 18.1% as compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin of approximately HK\$6,160,000 and 2.7% respectively for the six months ended 30 June 2017, representing increases of approximately HK\$336,000 and of 5.8% respectively as compared with the gross profit of approximately HK\$5,824,000 and gross profit margin of 3.0% in the first half of 2016. 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 decreased by 75.2% from approximately HK\$34,737,000 in the first half of 2016 to approximately HK\$8,624,000 for the corresponding period this year. Such decrease 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 11.7% from approximately HK\$3,014,000 in the first half of 2016 to approximately HK\$3,366,000 for the corresponding period this year.

Loss attributable to owners of the Company amounted to approximately HK\$6,259,000, representing a decrease of 81.0% as compared with the loss of approximately HK\$32,901,000 for the corresponding period last year. The decrease in the loss was mainly attributable to the decrease in share option expenses of approximately HK\$23,228,000 mentioned above.

### Financial Resources and Position

As at 30 June 2017, the Group had net current liabilities of approximately HK\$68,868,000 (31 December 2016: approximately HK\$63,001,000) and cash and cash equivalents of approximately HK\$2,854,000 (31 December 2016: approximately HK\$6,464,000).

## Management Discussion and Analysis

As at 30 June 2017, the current ratio of the Group was approximately 0.58 times (31 December 2016: approximately 0.56 times). The net debts (net of cash and cash equivalents) to total assets ratio of the Group was approximately 54.9% (31 December 2016: 53.4%). Total borrowings of the Group amounted to approximately HK\$95,006,000, comprising secured bank loan of approximately HK\$63,099,000, amount due to a non-controlling shareholder of a subsidiary of approximately HK\$12,113,000 and loans from ultimate holding company of approximately HK\$19,794,000. 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 2017, the Group financed its operations mainly by internally generated resources and borrowings which include bank borrowings, loan and undrawn loan facilities granted 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.

### 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 other biochemical products recorded segment profits of approximately HK\$90,000 (six months ended 30 June 2016: approximately HK\$172,000). Such decrease was mainly due to the increase in selling expenses in the modified starch and other biochemical products business. The business of general trading recorded segment profits of approximately HK\$113,000 during the period (six months ended 30 June 2016: approximately HK\$46,000), whereas the footwear business, which was downsizing significantly in this year and recorded segment loss of approximately HK\$2,933,000 (six months ended 30 June 2016: approximately HK\$3,042,000).

The proposed acquisition of Oceanic Chief Limited announced in May 2016 was subsequently announced and terminated in May 2017 due to unachieved profit targets for the target period by Oceanic Chief Limited. 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.

## **Management Discussion and Analysis**

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 2017 (six months ended 30 June 2016: Nil).

## Other Information

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

As at 30 June 2017, 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	8,115,024,320 (Note)	49.88%

Note: Mr. Lam Ching Kui is the beneficial owner of Oriental Success Ventures Limited which is deemed to be interested in 7,578,064,320 shares and 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 Oriental Success Ventures Limited.

Other than as disclosed above, as at 30 June 2017, 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 2017, 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 ( <i>Note 1</i> )	Beneficial owner	8,115,024,320	49.87%
Oriental Success Ventures Limited	Interest of controlled corporation ( <i>Note 1</i> )	8,115,024,320	49.87%
Onward Global Investments Limited ("Onward Global") ( <i>Note 2</i> )	Beneficial owner	1,286,350,000	7.91%
Wan Yuzhen ( <i>Note 2</i> )	Interest of controlled corporation	1,286,350,000	7.91%
Spring Garden Investments Limited ("Spring Garden") ( <i>Note 3</i> )	Beneficial owner	1,286,400,000	7.91%
Zhong Liyan ( <i>Note 3</i> )	Interest of controlled corporation	1,286,400,000	7.91%

## Other Information

### Notes:

- (1) Chinese Success Limited, which is wholly owned by Oriental Success Ventures Limited, 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 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.

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 2017, 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 2017, 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.

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.

## Other Information

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 2017 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 2017.

### **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 2017.

### **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 2017, 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.

## Other Information

### 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 2017.

On behalf of the Board

**Wai Chun Mining Industry Group Company Limited**

**Lam Ching Kui**

*Chairman and Chief Executive Officer*

Hong Kong, 29 August 2017

# Report on Review of Condensed Consolidated Financial Statements

恒健會計師行有限公司

**HLM CPA LIMITED**

**Certified Public Accountants**

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2-12 Queen's Road West, Hong Kong  
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## **TO THE BOARD OF DIRECTORS OF WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED**

偉俊礦業集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

## **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Wai Chun Mining Industry Group Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The 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.

# 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 2017 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\$6,259,000 for the six months ended 30 June 2017, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$68,868,000 and HK\$17,551,000 respectively and also, the Group's capital deficiency attributable to owners of the Company was approximately HK\$22,318,000. 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, 29 August 2017

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Turnover	4	226,923	192,123
Cost of sales		(220,763)	(186,299)
Gross profit		6,160	5,824
Other revenue		1,924	88
Selling expenses		(3,366)	(3,014)
Administrative expenses		(8,624)	(34,737)
Finance costs		(2,053)	(1,614)
Loss before tax		(5,959)	(33,453)
Income tax expense	5	(17)	–
Loss for the period	6	(5,976)	(33,453)
<b>(Loss) profit for the period attributable to:</b>			
– Owners of the Company		(6,259)	(32,901)
– Non-controlling interests		283	(552)
		(5,976)	(33,453)
<b>Loss per share</b>	8	<b>HK cents</b>	<b>HK cents</b>
– Basic		(0.04)	(0.20)
– Diluted		(0.04)	(0.20)

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(5,976)</b>	<b>(33,453)</b>
<b>Other comprehensive income (expense)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	258	(300)
Other comprehensive income (expense), net of tax	258	(300)
<b>Total comprehensive expense for the period</b>	<b>(5,718)</b>	<b>(33,753)</b>
<b>Total comprehensive (expenses) income attributable to:</b>		
– Owners of the Company	(6,128)	(33,054)
– Non-controlling interests	410	(699)
	<b>(5,718)</b>	<b>(33,753)</b>

# Condensed Consolidated Statement of Financial Position

At 30 June 2017

	<i>Notes</i>	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	40,075	35,772
Prepaid land lease payments	10	31,036	30,445
		<b>71,111</b>	<b>66,217</b>
<b>Current assets</b>			
Inventories		49,436	38,381
Prepaid land lease payments	10	704	683
Trade and bills receivables	11	26,674	26,254
Deposits, prepayments and other receivables	12	8,840	8,630
Financial assets at fair value through profit or loss	13	2,511	1,419
Pledged bank deposits		5,759	–
Cash and cash equivalents		2,854	6,464
		<b>96,778</b>	<b>81,831</b>
<b>Current liabilities</b>			
Trade payables	14	60,966	57,244
Accruals and other payables		29,464	17,121
Tax payables		4	52
Amounts due to a non-controlling shareholder of a subsidiary	22(b)	12,113	14,561
Borrowings	15	63,099	55,854
		<b>165,646</b>	<b>144,832</b>

## Condensed Consolidated Statement of Financial Position

At 30 June 2017

		30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Net current liabilities</b>		<b>(68,868)</b>	<b>(63,001)</b>
<b>Total assets less current liabilities</b>		<b>2,243</b>	<b>3,216</b>
<b>Non-current liability</b>			
Loans from ultimate holding company	16	<b>19,794</b>	15,049
<b>Net liabilities</b>		<b>(17,551)</b>	<b>(11,833)</b>
<b>Capital and reserves</b>			
Share capital – ordinary shares	17	<b>40,677</b>	40,677
Share capital – convertible preference shares	18	<b>1,342</b>	1,342
Reserves		<b>(64,337)</b>	(58,209)
Capital deficiency attributable to owners of the Company		<b>(22,318)</b>	(16,190)
Non-controlling interests		<b>4,767</b>	4,357
<b>Capital deficiency</b>		<b>(17,551)</b>	<b>(11,833)</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Share capital	Convertible preference shares	Share premium	Other reserve	Share option reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
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 expense for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(153)	-	(153)	(147)	(300)
Total comprehensive expense 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)

**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 2017

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Net cash generated from (used in) operating activities</b>	<b>1,366</b>	<b>(10,037)</b>
<b>Investing activities</b>		
Interest received	66	99
Proceeds from disposal of property, plant and equipment	–	49
Purchase of property, plant and equipment	<b>(5,006)</b>	<b>(2,108)</b>
Placement of pledged bank deposits	<b>(5,759)</b>	–
<b>Net cash used in investing activities</b>	<b>(10,699)</b>	<b>(1,960)</b>
<b>Financing activities</b>		
Interest paid	<b>(1,419)</b>	<b>(1,385)</b>
New borrowings raised	<b>5,370</b>	<b>11,680</b>
Repayment of borrowings	–	<b>(11,680)</b>
(Decrease) increase in amounts due to a non-controlling shareholder of a subsidiary	<b>(2,846)</b>	<b>3,516</b>
Increase in loans from ultimate holding company	<b>4,190</b>	<b>2,430</b>
<b>Net cash generated from financing activities</b>	<b>5,295</b>	<b>4,561</b>
Net decrease in cash and cash equivalents	<b>(4,038)</b>	<b>(7,436)</b>
Effects of foreign exchange rate changes	<b>428</b>	<b>(90)</b>
Cash and cash equivalents at beginning of the period	<b>6,464</b>	<b>10,605</b>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>2,854</b>	<b>3,079</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 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 (“Mr. Lam”), 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 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 principal activities of the Group are the manufacture and sale of modified starch and other biochemical products, the trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes, and general trading.

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 29 August 2017.

## 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 2016, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 December 2017. 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 2017

## 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 2016. 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 2016.

For the six months ended 30 June 2017, the Group incurred a net loss attributable to owners of the Company of approximately HK\$6,259,000, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$68,868,000 and HK\$17,551,000 respectively and also, the Group’s capital deficiency attributable to owners of the Company was approximately HK\$22,318,000. 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 2017, the Company has undrawn loan facilities of approximately HK\$105,922,000 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 including closely monitoring general administrative expenses and operating costs.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 2. BASIS OF PREPARATION (Continued)

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months from the date of this report, 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.

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 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 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of amendments to Hong Kong Financial Reporting Standards

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Part of the Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 12 Disclosure of Interests in Other Entities

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements but additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 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 that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Properties <sup>1</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle except amendments to HKFRS12 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 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 profit (loss) represents profit earned or loss incurred 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 2017

## 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 2017

	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	203,279	–	23,644	226,923
Segment results	90	(2,933)	113	(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)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 4. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

#### Segment revenue and results (Continued)

Six months ended 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)
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 tax				(33,453)
Income tax expense				—
Loss for the period				(33,453)

Revenue 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 2017

## 4. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

#### Segment assets and liabilities

At 30 June 2017

	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)
<b>Assets</b>				
Segment assets	165,359	2,220	–	167,579
Unallocated assets				<u>310</u>
Consolidated assets				<u>167,889</u>
<b>Liabilities</b>				
Segment liabilities	(155,632)	(1,927)	–	(157,559)
Unallocated liabilities				<u>(27,881)</u>
Consolidated liabilities				<u>(185,440)</u>
<b>Geographical assets</b>				
Hong Kong				2,530
PRC				<u>165,359</u>
				<u>167,889</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 4. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

#### Segment assets and liabilities (Continued)

At 31 December 2016

	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)
<b>Assets</b>				
Segment assets	145,750	1,985	–	147,735
Unallocated assets				<u>313</u>
Consolidated assets				<u>148,048</u>
<b>Liabilities</b>				
Segment liabilities	(136,859)	(322)	(34)	(137,215)
Unallocated liabilities				<u>(22,666)</u>
Consolidated liabilities				<u>(159,881)</u>
<b>Geographical assets</b>				
Hong Kong				2,298
PRC				<u>145,750</u>
				<u>148,048</u>

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 4. SEGMENT INFORMATION (Continued)

### Other segment information

Six months ended 30 June 2017

	Modified starch and other biochemical products <i>HK\$'000</i> (Unaudited)	Footwear <i>HK\$'000</i> (Unaudited)	General trading <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (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 to net realisable value	(517)	-	-	-	(517)

Six months ended 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)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (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 to net realisable value	(20)	-	-	-	(20)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 4. SEGMENT INFORMATION (Continued)

### Geographical information

For the six months ended 30 June 2017 and 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:

	Revenue from external customers for the six months ended 30 June		Non-current assets	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Hong Kong	23,644	18,513	598	663
PRC	203,279	173,610	70,513	65,554
	<b>226,923</b>	192,123	<b>71,111</b>	66,217

### Information on major customers

For the six months ended 30 June 2017, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$203,279,000 are revenue of approximately HK\$44,711,000 and HK\$43,724,000 and included in revenue arising from general trading of approximately HK\$23,644,000 are revenue of approximately HK\$23,644,000 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 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 4. SEGMENT INFORMATION (Continued)

### Information on major suppliers

For the six months ended 30 June 2017, included in purchases arising from purchases of modified starch and other biochemical products of approximately HK\$218,248,000 are purchases of approximately HK\$133,240,000, HK\$22,114,000 and HK\$14,468,000 respectively arising from purchases from the 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 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 the 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
The income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	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% (six months ended 30 June 2016: 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% on the taxable income above MOP600,000 for both periods (equivalent to approximately HK\$567,000).

At the end of current interim period, the Group has unused tax losses of approximately HK\$154,780,000 (31 December 2016: approximately HK\$154,482,000) 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 2017

## 5. INCOME TAX EXPENSE (Continued)

At the end of current interim period, there was no (31 December 2016: 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 2017 amounted to approximately HK\$13,200,000 (31 December 2016: approximately HK\$14,375,000).

## 6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	220,015	186,228
Interest expenses	2,053	1,614
Depreciation on property, plant and equipment	1,759	1,708
Share-based payment expenses	–	23,228
Amortisation of prepaid land lease payments	345	364
Staff costs (including Directors' emoluments and retirement benefit costs)	4,869	3,737
And after crediting:		
Net exchange gain	2	2
Reversal of write-down of inventories to net realisable value	517	20

## 7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 8. LOSS PER SHARE

### Basic loss per share

The calculation of the basic loss per share for six months ended 30 June 2017 is based on the Group's loss attributable to owners of the Company of approximately HK\$6,259,000 (six months ended 30 June 2016: approximately HK\$32,901,000) and the number of 16,270,685,376 ordinary shares (six months ended 30 June 2016: 16,270,685,376 ordinary shares) in issue.

### 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 2017, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$5,006,000 (for the year ended 31 December 2016: approximately HK\$6,281,000).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

### 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.

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Carrying amount:		
At beginning of the period/year	<b>31,128</b>	33,959
Exchange difference	<b>957</b>	(2,116)
Amortisation	<b>(345)</b>	(715)
<b>At end of the period/year</b>	<b>31,740</b>	31,128
Analysed for reporting purposes as:		
Current portion	<b>704</b>	683
Non-current portion	<b>31,036</b>	30,445
<b>At end of the period/year</b>	<b>31,740</b>	31,128

### 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Trade receivables	<b>34,386</b>	35,173
Bills receivables	<b>735</b>	519
	<b>35,121</b>	35,692
Less: Provision for impairment	<b>(8,447)</b>	(9,438)
<b>Total</b>	<b>26,674</b>	26,254

The Group allows average credit period of 30 to 180 days to its customers.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 11. TRADE AND BILLS RECEIVABLES (Continued)

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:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
0-30 days	11,953	16,366
31-60 days	5,611	2,189
61-90 days	3,745	2,798
91-180 days	885	4,901
Over 180 days	4,480	–
<b>Total</b>	<b>26,674</b>	<b>26,254</b>

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

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Balance at beginning of the period/year	9,438	7,496
Provision for impairment	–	1,942
Reversal of impairment provision due to subsequent recovery	(991)	–
<b>Balance at end of the period/year</b>	<b>8,447</b>	<b>9,438</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 11. TRADE AND BILLS RECEIVABLES (Continued)

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Overdue by:		
0-30 days	-	-
31-60 days	-	-
61-90 days	-	-
91-180 days	4,480	-
Over 180 days	-	-
Total	4,480	-

As at 30 June 2017, trade receivables of approximately HK\$4,480,000 (31 December 2016: HK\$Nil) 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. The receivables amount to approximately HK\$4,480,000 were settled up to July 2017.

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Prepayments for inventories	2,509	4,828
Value-added tax recoverable	2,800	198
Other prepayments	2,292	2,355
Rental and utilities deposits	684	684
Other receivables	555	565
Total	8,840	8,630

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Wealth management products, designated as at fair value through profit or loss	2,511	1,419

Wealth management products were issued by a reputable bank in the PRC. The fair value of the wealth management products have been determined based on the quoted price from bank at the reporting date. All wealth management products was disposed of in July 2017 at a consideration of RMB2,180,000 (approximately HK\$2,511,000).

### 14. TRADE PAYABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade payables	60,966	57,244

The average credit period on purchases of goods ranges from 30 to 180 days (31 December 2016: 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:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0-30 days	20,995	49,921
31-60 days	6,367	3,748
61-90 days	32,038	1,468
91-180 days	267	648
Over 180 days	1,299	1,459
Total	60,966	57,244

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 15. BORROWINGS

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Bank loans, secured	(a)	60,529	53,284
Loan from an independent third party, unsecured	(b)	2,570	2,570
<b>Total</b>		<b>63,099</b>	<b>55,854</b>

Notes:

- (a) It was secured by a guarantee given by a non-controlling shareholder of a subsidiary, the pledge of bank deposits amounting to approximately HK\$5,759,000 (31 December 2016: HK\$Nil) and the pledge of the prepaid land lease payments in the PRC with carrying amounts of approximately HK\$19,014,000 (31 December 2016: approximately HK\$18,554,000). All bank loans are denominated in Renminbi with variable interest rates from 4.7% to 6.6% (31 December 2016: 4.7% 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, 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 17. SHARE CAPITAL – ORDINARY SHARES

	Number of ordinary shares of HK\$0.0025 each	Amount HK\$'000
<b>Authorised:</b>		
Balances as at 1 January 2016, 31 December 2016 and 30 June 2017	40,000,000,000	100,000
<b>Issued and fully paid:</b>		
Balances as at 1 January 2016, 31 December 2016 and 30 June 2017	16,270,685,376	40,677

All the shares issued rank pari passu with other shares in issue in all respects.

## 18. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of convertible preference shares of HK\$0.0025 each	Amount HK\$'000
<b>Authorised:</b>		
Balances as at 1 January 2016, 31 December 2016 and 30 June 2017	816,000,000	2,040
<b>Issued and fully paid:</b>		
Balances as at 1 January 2016	–	–
Shares issued pursuant to the loan capitalisation ( <i>Note</i> )	536,960,000	1,342
Balance as at 31 December 2016, 1 January 2017 and 30 June 2017	536,960,000	1,342

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 18. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES (Continued)

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:*

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.

## 19. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Lease payments in respect of rented premises paid under operating leases during the period	1,594	1,594

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 19. OPERATING LEASE COMMITMENTS (Continued)

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	1,063	2,657
In the second to fifth years inclusive	—	—
Total	1,063	2,657

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 and bank deposits in the PRC with carrying amounts of approximately HK\$19,014,000 (31 December 2016: approximately HK\$18,554,000) and approximately HK\$5,759,000 (31 December 2016: HK\$Nil) respectively 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 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 2016.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### 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).

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)		
Financial assets				
Financial assets designated at fair value through profit or loss	2,511	1,419	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 2017

## 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		Interested party	Relationship
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)		
Wai Chun Holdings Group Limited	Rental expenses	1,594	1,594	Lam Ching Kui	Director
Oriental Success (Note)	Interest expenses	555	-	Lam Ching Kui	Director
Wai Chun Investment Fund (Note)	Interest expenses	-	149	Lam Ching Kui	Director

*Note:* By way of an assignment of loan agreement dated 2 November 2016, the outstanding loan amount and loan facilities granted by the previous ultimate holding company Wai Chun Investment Fund were assigned to Oriental Success under the same terms and conditions.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 22. RELATED PARTY TRANSACTIONS (Continued)

### (b) Outstanding balances with related parties

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Amounts due to Wai Chun Holdings Group Limited (Note i)	1,594	–
Amounts due to a non-controlling shareholder of a subsidiary (Note ii)	12,113	14,561
Loans from ultimate holding company (Note 16)	19,794	15,049
<b>Total</b>	<b>33,501</b>	<b>29,610</b>

Notes:

- (i) The amount due represents office rental payable to Wai Chun Holdings Group Limited.
- (ii) The amounts due to a non-controlling shareholder of a subsidiary are unsecured, interest-free and repayable on demand.

### (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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term employee benefits	1,096	2,128
Defined contribution retirement plans	36	36
<b>Total</b>	<b>1,132</b>	<b>2,164</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 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 2016 and 30 June 2017, the number of shares in respect of the options granted and remained outstanding under the 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 further issue under the 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 an employee during the period ended 30 June 2017 are set out below:

Category of participants	Number of share options				Date of grant	Exercise period	Exercise price HK\$
	As at 1 January 2017	Granted	Exercised	As at 30 June 2017			
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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 23. SHARE-BASED PAYMENT (Continued)

The fair values of the options determined during the year ended 31 December 2016 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 during the year ended 31 December 2016 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. COMPARATIVE FIGURES

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