偉 俊 礦 業 集 團 有 限 公 司 *

Wai Chun Mining Industry Group Company Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 0660)

2012 ANNUAL RESULTS ANNOUNCEMENT

The board (the "Board") of directors ("Directors") of Wai Chun Mining Industry Group Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

The audited consolidated results of the Group for the year ended 31 December 2012 together with the comparative figures of 2011 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Turnover	*4*	**386,678**	362,310
Cost of sales		**(363,979)**	(310,823)
Gross profit		**22,699**	51,487
Other revenue		**4,138**	9,673
Selling expenses		**(9,476)**	(12,170)
Impairment loss on prepayments and other receivables		**(23,848)**	—
Administrative expenses		**(30,999)**	(23,322)
Gain on disposal of subsidiaries		—	3,476
Finance costs	*5*	**(7,489)**	(5,299)
(Loss) profit before taxation		**(44,975)**	23,845
Taxation	*6*	**1,211**	(10,028)
(Loss) profit for the year	*7*	**(43,764)**	13,817
(Loss) profit attributable to:			
— Shareholders of the Company		**(34,135)**	(3,729)
— Non-controlling interests		**(9,629)**	17,546
		(43,764)	13,817
Loss per share	*9*		
— Basic *(HK cents)*		**(0.22)**	(0.02)
— Diluted *(HK cents)*		**(0.22)**	(0.02)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year	**(43,764)**	13,817
Other comprehensive (expense) income:		
Exchange differences on translating foreign operations	**(53)**	2,284
Total comprehensive (expense) income for the year	**(43,817)**	16,101
Total comprehensive (expense) income attributable to:		
— Shareholders of the Company	**(34,155)**	(2,776)
— Non-controlling interests	**(9,662)**	18,877
	(43,817)	16,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**35,125**	21,743
Prepaid leasehold land payments		**16,366**	7,986
Prepayments for acquisition of land use rights		**7,016**	15,404
Prepayments for acquisition of property, plant and equipment		**761**	13,640
		59,268	58,773
Current assets			
Inventories		**83,944**	41,122
Prepaid leasehold land payments		**334**	164
Trade and bills receivables	*10*	**144,044**	29,191
Deposits, prepayments and other receivables		**33,318**	78,003
Tax recoverable		**368**	—
Pledged bank deposits		**45,402**	34,762
Bank balances and cash		**14,242**	10,389
		321,652	193,631
Current liabilities			
Trade payables	*11*	**54,060**	19,243
Accruals and other payables		**47,596**	25,977
Tax payable		**—**	9,942
Borrowings – due within one year	*12*	**208,759**	118,141
Obligations under a finance lease		**6**	58
		310,421	173,361
Net current assets		**11,231**	20,270
Total assets less current liabilities		**70,499**	79,043
Non-current liabilities			
Obligations under a finance lease		**—**	19
Amounts due to an ultimate holding company		**49,826**	14,534
		49,826	14,553
Total assets less liabilities		**20,673**	64,490
Capital and reserves			
Share capital		**38,637**	38,637
Reserves		**(48,266)**	(14,111)
(Capital deficiency)/equity attributable to shareholders of the Company		**(9,629)**	24,526
Non-controlling interests		**30,302**	39,964
Total equity		**20,673**	64,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands, British West Indies and the principal place of business of the Company is 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars for the convenience of the investors as its shares are listed on the Stock Exchange.

The principal activities of the Group are the trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes, and the manufacture and sale of modified starch and other biochemical products and agency trade of other biochemical products.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Notwithstanding that the Group incurred a loss of approximately HK$43,764,000 for the year ended 31 December 2012 and that the Group's capital deficiency attributable to the shareholders of the Company by approximately HK$9,629,000 as at 31 December 2012, these consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following arrangements:

(i) Wai Chun, the ultimate holding company, has agreed to provide adequate funds to enable the Group to meet in full its financial obligations when they fall due in the foreseeable future and Wai Chun would not demand for repayment of the amount of approximately HK$49,826,000 due to Wai Chun as at 31 December 2012 within twelve months from the end of the date of auditor's report; and

(ii) On 25 March 2013, the Board has planned to raise sufficient funds by the placement of shares or rights issue of shares which will be used for the Group's working capital and improve the liquidity of the Group. By using the rights issue, Wai Chun has agreed to act as the underwriter for the rights issue arrangement of the Company.

In view of the above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective for the Group's financial year beginning on 1 January 2012.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosure — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009–2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property*, *Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The directors anticipate that the amendments to HKAS 32 will have no material effect on the Group's consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on results and financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amounts received and receivable for goods sold net of discounts and sales related taxes.

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. In addition, for 'footwear', 'modified starch and other biochemical products' and 'agency trade business' operation, the information reported to the Board is further analysed based on the different classes of customers.

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

Footwear	Trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes
Modified starch and other biochemical products	Manufacture and sale of modified starch and other biochemical products
Agency trade business	Agency trade of other biochemical products

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs that are regularly reviewed by the executive director of the Company being the CODM of the Group.

Segments profit (loss) represents profit earned or loss incurred by each segment without allocation of other revenue, gain on disposal of subsidiaries, impairment loss on prepayments and other receivables, central administration costs including directors' salaries, and finance costs. This is the basis of measurement reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Business segments

The CODM regularly reviews revenue and operating results derived from trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes on an aggregated basis, manufacture and sale of modified starch and other biochemical products and agency trade business and consider them as three reportable segments.

Segment revenues and results

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

	2012				2011			
	Modified starch and other biochemical products	**Footwear**	**Agency trade business**	**Consolidated**	Modified starch and other biochemical products	Footwear	Agency trade business	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**369,740**	**10,940**	**5,998**	**386,678**	325,708	36,602	—	362,310
Segment results	**(6,890)**	**(7,059)**	**5,998**	**(7,951)**	30,846	(2,074)	—	28,772
Other revenue				**4,138**				9,673
Gain on disposal of subsidiaries				**—**				3,476
Impairment loss on prepayments and other receivables				**(23,848)**				—
Central administration costs				**(9,825)**				(12,777)
Finance costs				**(7,489)**				(5,299)
(Loss) profit before taxation				**(44,975)**				23,845
Taxation				**1,211**				(10,028)
(Loss) profit for the year				**(43,764)**				13,817

Revenue reported above represents revenue generated from external customers. There was no inter-segment sale for the both years.

Segment assets and liabilities

	2012				2011			
	Modified starch and other biochemical products	**Footwear**	**Agency trade business**	**Consolidated**	Modified starch and other biochemical products	Footwear	Agency trade business	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	**252,092**	**3,119**	**123,355**	**378,566**	234,725	4,399	—	239,124
Unallocated assets				**2,354**				13,280
Consolidated assets				**380,920**				252,404
Liabilities								
Segment liabilities	**260,517**	**13,203**	**63,392**	**337,112**	168,088	214	—	168,302
Unallocated liabilities				**23,135**				19,612
Consolidated liabilities				**360,247**				187,914
Geographical assets								
Hong Kong				**5,474**				17,712
PRC				**375,446**				234,692
				380,920				252,404

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

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

Other information

	2012				
	Modified starch and other biochemical products *HK$'000*	**Footwear** *HK$'000*	**Agency trade business** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Additions to non-current assets	**16,062**	**23**	**—**	**—**	**16,085**
Depreciation and amortisation	**2,613**	**242**	**—**	**44**	**2,899**
Prepayments for acquisition of land use rights	**7,016**	**—**	**—**	**—**	**7,016**
Prepayments for acquisition of property, plant and equipment	**761**	**—**	**—**	**—**	**761**

	2011				
	Modified starch and other biochemical products *HK$'000*	Footwear *HK$'000*	Agency trade business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Additions to non-current assets	6,707	789	—	—	7,496
Depreciation and amortisation	1,581	41	—	43	1,665
Prepayments for acquisition of land use rights	15,404	—	—	—	15,404
Prepayments for acquisition of property, plant and equipment	13,640	—	—	—	13,640

Geographical information

For the year ended 31 December 2012 and 2011, the Group's operations were principally located in Hong Kong (country of domicile), The People's Republic of China (the "PRC") and The Republic of Korea (the "Korea") with 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 location:

	Revenue from external customers		**Non-current assets**	
	2012 *HK$'000*	2011 *HK$'000*	**2012** *HK$'000*	2011 *HK$'000*
Hong Kong	**16,938**	36,602	**537**	799
Korea	**37,487**	123,844	**—**	—
PRC	**264,438**	141,851	**58,731**	57,974
Others	**67,815**	60,013	**—**	—
	386,678	362,310	**59,268**	58,773

Information on major customers

Included in sales arising from sales of modified starch and other biochemical products to Shan Dong Xiwang Foodstuffs Company Limited was approximately HK$62,123,000 (2011: HK$Nil) which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's sale for 2012 and 2011.

Information on major suppliers

Included in purchases arising from purchases of modified starch and other biochemical products from Weifang Shengtai Pharmaceutical Co., Ltd. and Toepfer International-Asia Pte Limited were approximately HK$205,762,000 and approximately HK$54,108,000 respectively (2011: approximately HK$110,858,000 and approximately HK$33,716,000) which arose from purchases from the Group's two largest suppliers. No other single supplier contributed 10% or more to the Group's purchases for 2012 and 2011.

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interests on:		
— Bank loans, bank overdrafts and bills payables wholly repayable within five years	**6,060**	4,920
— Finance lease	**7**	15
— Loan from an ultimate holding company	**1,262**	254
— Short-term loan from a related company	**—**	9
— Short-term loan from an independent third party	**160**	101
Total	**7,489**	5,299

6. TAXATION

	2012	2011
	HK$'000	*HK$'000*
Tax expense attributable to the Group		
Current tax:		
Hong Kong	**—**	—
PRC	**—**	9,723
	—	9,723
(Over) under provision in prior years:		
Hong Kong	**—**	—
PRC	**(1,211)**	305
	(1,211)	305
Total income tax (credit) expense recognised to the consolidated income statement	**(1,211)**	10,028

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the year (2011: HK$Nil).

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2011: 25%).

The taxation for the years can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2012 HK$'000	2011 HK$'000
(Loss) profit before taxation	**(44,975)**	23,845
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(7,421)**	3,935
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(1,364)**	3,306
Tax effect of expenses not deductible for tax purpose	**3,630**	6
Tax effect of deductible temporary differences not recognised	**31**	(81)
Tax effect of tax losses not recognised	**5,124**	2,557
(Over) under-provision for prior year	**(1,211)**	305
Income tax (credit) expense for the year	**(1,211)**	10,028

At 31 December 2012, the Group has unused tax losses of approximately HK$122,407,000 (2011: approximately HK$99,531,000) 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. The losses may be carried forward indefinitely.

7. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year is arrived at after charging (crediting) the following items:

	2012 HK$'000	2011 HK$'000
Auditor's remuneration	**500**	500
Cost of inventories	**363,813**	310,823
Interest expenses	**7,489**	5,299
Impairment loss on trade receivables	**3,818**	—
Impairment loss on prepayments and other receivables	**23,848**	—
Depreciation on property, plant and equipment	**2,684**	1,498
(Gain) loss on disposal of property, plant and equipment	**(2)**	20
Loss on exchange, net	**857**	—
Amortisation on prepaid leasehold land payments	**215**	167
Staff costs (including directors' emoluments and retirement benefit costs)	**11,688**	9,851

8. DIVIDEND

No dividend was paid or proposed during 2012 and 2011, nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

The calculation of basic loss per share was based on the Group's loss attributable to shareholders of the Company of approximately HK$34,135,000 (2011: approximately HK$3,729,000) and the number of ordinary shares of 15,454,685,376 (2011: 15,454,685,376) during the year.

The denominators used are the same as those detailed above for both basic and diluted loss per share.

10. TRADE AND BILLS RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**24,507**	29,044
Receivables from agency trade business	**123,355**	—
Bills receivables	**—**	147
	147,862	29,191
Less: provision for impairment	**(3,818)**	—
Total	**144,044**	29,191

The Group normally allows average credit period of 30 to 180 days to its customers. There was no recent history of default associated with above current receivables. As at 31 December 2012, the Group has assessed the recoverability of the receivables past due and established a provision for impairment. The provision for impairment is recorded using a provision amount unless the Group has concluded that recovery is remote, in which the unrecovered loss is written off against trade receivables and the provision for impairment directly. The Group does not hold any collateral over these balances.

The aging analysis of trade and bills receivables at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2012	2011
	HK$'000	*HK$'000*
0-30 days	**50,157**	17,922
31-60 days	**17,665**	111
61-90 days	**25,773**	7,041
91-180 days	**48,999**	3,740
Over 180 days	**1,450**	377
Total	**144,044**	29,191

Included in the Group's trade and bills receivables as at 31 December 2012, an aggregate carrying amount of approximately HK$142,594,000 (2011: approximately HK$28,814,000) was trade debt with credit terms.

The directors consider that the carrying amount of trade and bills receivables approximates their fair value.

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

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**—**	—
Provision for impairment	**3,818**	—
At 31 December	**3,818**	—

Included in the above provision for impairment of trade and bills receivables is a full provision for impaired trade and bills receivables of approximately HK$3,818,000 (2011: HK$Nil). The impaired trade and bills receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

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

	2012	2011
	HK$'000	*HK$'000*
Past due	**1,450**	377

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered to be fully recoverable.

Approximately HK$57,087,000 of receivables from agency trade business has subsequently settled after the end of reporting period, and the remaining balance will be settled within five months in accordance with repayment term from the end of reporting period.

11. TRADE PAYABLES

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

	2012	2011
	HK$'000	*HK$'000*
0-30 days	**26,248**	7,131
31-60 days	**14,288**	6,758
61-90 days	**2,062**	621
91-180 days	**8,263**	2,046
Past due	**3,199**	2,687
Total	**54,060**	19,243

12. BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Bank loans *(Note a)*	**80,597**	76,124
Loan from an independent third party *(Note b)*	**2,570**	2,570
Bills payables *(Note c)*	**62,200**	39,447
Bills payables in relation to agency trade business	**63,392**	—
	208,759	118,141
Secured	**206,189**	76,124
Unsecured	**2,570**	42,017
	208,759	118,141

Notes:

(a) Secured by a guarantee given by a minority shareholder of a subsidiary and the trade receivables – tax refund account of that subsidiary. All bank loans are denominated in Renminbi with variable rate from 4.9% to 11.0% (2011: 2.0% to 9.0%) per annum.

(b) Bearing interest at HKD Prime + 1% annually based on Standard Chartered Bank (Hong Kong) Limited.

(c) All bills payables were charged at variable interest rate and secured by pledged bank deposits of approximately HK$45,402,000 (2011: approximately HK$34,762,000).

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2012.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

The accompanying consolidated financial statements for the year ended 31 December 2012 have been prepared assuming that the Group will continue as a going concern. Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicate that the Group incurred a net loss of approximately HK$43,764,000 for the year ended 31 December 2012 and, as of that date, the Group's capital deficiency attributable to shareholders of the Company was approximately HK$9,629,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 December 2012, the Group recorded a turnover of approximately HK$386,678,000 (2011: approximately HK$362,310,000), representing an increase of approximately 6.7% as compared to 2011. The Group recorded a gross profit and gross profit margin of approximately HK$22,699,000 (2011: approximately HK$51,487,000) and 5.9% (2011: 14.2%) respectively, representing a decrease of approximately 55.9% and 58.5% respectively as compared to 2011. Administrative expenses increased by 32.9% from approximately HK$23,322,000 that recorded in 2011 to approximately HK$30,999,000 in 2012.

Loss attributable to shareholders of the Company amounted to approximately HK$34,135,000 as compared to the loss attributable to shareholders of approximately HK$3,729,000 in 2011.

Footwear Business

The footwear business recorded a turnover of approximately HK$10,940,000 and a segmental loss of approximately HK$7,059,000 in 2012 respectively, representing a decrease of the turnover of approximately HK$25,662,000 and an increase in segmental loss of approximately HK$4,985,000 respectively when compared to 2011.

Modified Starch and Other Biochemical Business

The modified starch business and other biochemical business have improved when compared to that of 2011, which contributed approximately HK$369,740,000 and approximately HK$6,890,000 to the Group's turnover and segmental loss respectively, representing an increase of approximately 13.5% and turns to segmental loss respectively when compared to that of 2011.

Agency trade business

The Company commenced provision of agency services in handling trade of biochemical products and recorded a revenue of approximately HK$5,998,000 (2011: HK$Nil) during the year.

Financial Resources and Position

As at 31 December 2012, the Group financed its operations mainly by internally generated resources and borrowings. The Group had net current assets of approximately HK$11,231,000 (2011: approximately HK$20,270,000) and cash and cash equivalents of approximately HK$59,644,000 (2011: approximately HK$45,151,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As the group's businesses are conducted in Hong Kong and the PRC, therefore the Group is not exposed to any material foreign exchange risk. As at 31 December 2012, the current ratio of the Group was approximately 1.0 times (2011: approximately 1.1 times).

As at 31 December 2012, total borrowings of the Group amounted to approximately HK$258,591,000, representing an increase of approximately 94.8% as compared to approximately HK$132,752,000 on 31 December 2011. Most of the borrowings of the Group are short term in nature and are denominated in Hong Kong Dollars and Renminbi. Most of these borrowings are secured and interest bearing with prevailing market interest rates. The gearing ratio of the Group, which was calculated on the basis of net debt to total assets, increased from 34.7% in 2011 to 52.2% as at 31 December 2012.

Bank deposits of approximately HK$45,402,000 (2011: approximately HK$34,762,000) have been pledged to secure banking facilities granted to the Group. The Group did not have any material contingent liabilities as at 31 December 2012.

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

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2012.

BUSINESS REVIEW

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

Although the global economy has fluctuated during the year, the Group recorded an increase in turnover mainly from the modified starch and other biochemical products business during the year.

Future Prospect

The Group will continue to keep focus on its existing business by strengthening the business relationship with existing customers and look for opportunity to expand its customer base. The Group will also consider fund raising exercise to strengthen the financial position of the Group. With more financial resources, the Group could seek more new investment opportunities which will have attractive return to the Group's operating results in the years to come.

Foreign currency fluctuation

For the year ended 31 December 2012, the Group conducted its business transactions principally in Renminbi and US dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchange rates. Accordingly, the directors considered that the foreign exchange exposure is relatively limited and no hedging of exchange risk is required. As an internal policy, the Group continues to implement a prudent policy on financial management policy and does not participate in any high risk speculative activities. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures when needed.

Pledge of assets and contingent liabilities

The Group's prepaid leasehold payments with carrying value of approximately HK$9,944,000 (2011: HK$Nil) and bank deposits of approximately HK$45,402,000 (2011: approximately HK$34,762,000) were pledged to secure the bank borrowings and bills payables for the year. The Group did not have any material contingent liabilities as at 31 December 2012.

OTHER INFORMATION

Employees

As at 31 December 2012, the Group had a total of 156 employees, the majority of whom are situated in the PRC. In addition to offer competitive remuneration packages to employees, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

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

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

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

Code on Corporate Governance Practices

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices. The Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company complied with the code provisions as set out in the Code throughout the year ended 31 December 2012 except that under code provision A.2.1, 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 is ensured by the operation of the Board which comprised of experienced and high caliber individuals with sufficient number thereof being independent non-executive directors.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2012.

Scope of Work of HLM CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in this announcement have been agreed by the Group's auditor, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on this announcement.

Audit Committee

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

A meeting of the Audit Committee was held to review the Group's audited consolidated financial statements for the year ended 31 December 2012, in conjunction with the Group's external auditor, HLM CPA Limited.

Appreciation

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

By Order of the Board
Wai Chun Mining Industry Group Company Limited
LAM Ching Kui
Chairman and Chief Executive Officer

Hong Kong, 28 March 2013

As at the date of this announcement, the Board comprises:

Executive Director:
LAM Ching Kui *(Chairman and Chief Executive Officer)*

Independent Non-executive Directors:
CHAN Chun Wai, Tony
HAU Pak Man
LAM Lee G.