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# 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)

### 2014 ANNUAL RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (“**Directors**”) of Wai Chun Mining Industry Group Company Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2014 together with the comparative figures of 2013 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Turnover</b>	4	<b>394,116</b>	373,582
Cost of sales		<u>(389,065)</u>	<u>(364,784)</u>
Gross profit		<b>5,051</b>	8,798
Other revenue		<b>2,588</b>	2,348
Gain on disposal of a subsidiary		<b>2,712</b>	—
Selling expenses		<b>(3,576)</b>	(4,870)
Administrative expenses		<b>(20,497)</b>	(29,136)
Impairment loss on trade and bills receivables		<b>(380)</b>	—
Impairment loss on deposits, prepayments and other receivables		<b>(300)</b>	(937)
Finance costs	5	<u><b>(3,291)</b></u>	<u>(5,724)</u>
Loss before income tax		<b>(17,693)</b>	(29,521)
Income tax expense	6	<u><b>(11)</b></u>	<u>(594)</u>
Loss for the year from continuing operations	7	<b>(17,704)</b>	(30,115)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation		<u>—</u>	<u>(677)</u>
Loss for the year		<u><b>(17,704)</b></u>	<u>(30,792)</u>

\* for identification purposes only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)***For the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company:			
— from continuing operations		(15,884)	(21,994)
— from discontinued operation		<u>—</u>	<u>(176)</u>
		<u>(15,884)</u>	<u>(22,170)</u>
Loss for the year attributable to non-controlling interests:			
— from continuing operations		(1,820)	(8,121)
— from discontinued operation		<u>—</u>	<u>(501)</u>
		<u>(1,820)</u>	<u>(8,622)</u>
Loss for the year		<u>(17,704)</u>	<u>(30,792)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share</b>	9		
<b>From continuing and discontinued operations</b>			
— Basic		<u>(0.10)</u>	<u>(0.14)</u>
— Diluted		<u>(0.10)</u>	<u>(0.14)</u>
<b>From continuing operations</b>			
— Basic		<u>(0.10)</u>	<u>(0.14)</u>
— Diluted		<u>(0.10)</u>	<u>(0.14)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>Loss for the year</b>	<u>(17,704)</u>	<u>(30,792)</u>
<b>Other comprehensive (expense) income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Realisation of translation reserve upon disposal of a subsidiary	(712)	—
Exchange differences on translation of foreign operations	<u>626</u>	<u>1,233</u>
Other comprehensive (expense) income, net of tax	<u>(86)</u>	<u>1,233</u>
<b>Total comprehensive expenses for the year</b>	<u><u>(17,790)</u></u>	<u><u>(29,559)</u></u>
<b>Total comprehensive expenses attributable to:</b>		
— Owners of the Company	(15,928)	(21,655)
— Non-controlling interests	<u>(1,862)</u>	<u>(7,904)</u>
	<u><u>(17,790)</u></u>	<u><u>(29,559)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>38,037</b>	35,161
Prepaid land lease payments		<b>37,338</b>	37,282
Prepayments for acquisition of property, plant and equipment		<b>711</b>	335
		<u><b>76,086</b></u>	<u>72,778</u>
<b>Current assets</b>			
Inventories		<b>29,063</b>	37,916
Prepaid land lease payments		<b>803</b>	786
Trade and bills receivables	<i>10</i>	<b>25,142</b>	13,720
Deposits, prepayments and other receivables		<b>6,886</b>	16,016
Tax recoverable		<b>—</b>	2
Bank balances and cash		<b>1,955</b>	6,916
		<u><b>63,849</b></u>	<u>75,356</u>
Assets classified as held for sale		<u><b>—</b></u>	<u>61,990</u>
		<u><b>63,849</b></u>	<u>137,346</u>
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>28,750</b>	35,387
Accruals and other payables		<b>24,913</b>	26,753
Amounts due to a non-controlling shareholder of a subsidiary		<b>5,250</b>	1,298
Amounts due to a former subsidiary		<b>22,376</b>	—
Borrowings	<i>12</i>	<b>32,934</b>	35,509
		<u><b>114,223</b></u>	<u>98,947</u>
Liabilities directly associated with assets classified as held for sale		<u><b>—</b></u>	<u>67,427</u>
		<u><b>114,223</b></u>	<u>166,374</u>
<b>Net current liabilities</b>		<u><b>(50,374)</b></u>	<u>(29,028)</u>
<b>Total assets less current liabilities</b>		<u><b>25,712</b></u>	<u>43,750</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 31 December 2014*

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-current liability</b>		
Loans from an ultimate holding company	<u>17,767</u>	<u>11,836</u>
<b>Total assets less liabilities</b>	<u><b>7,945</b></u>	<u><b>31,914</b></u>
<b>Capital and reserves</b>		
Share capital	39,887	38,637
Convertible preference shares	790	2,040
Reserves	<u>(47,089)</u>	<u>(31,161)</u>
(Capital deficiency) equity attributable to owners of the Company	(6,412)	9,516
Non-controlling interests	<u>14,357</u>	<u>22,398</u>
	<u><b>7,945</b></u>	<u><b>31,914</b></u>

## 1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and the principal place of business of the Company is 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

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

The principal activities of the Group during the year are (i) the trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes; (ii) the manufacture and sale of modified starch and other biochemical products; and (iii) general trading.

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014, the Group incurred a loss of approximately HK\$17,704,000 and had a net operating cash outflow of approximately HK\$15,837,000, and as at 31 December 2014, the Group’s capital deficiency attributable to the owners of the Company was approximately HK\$6,412,000. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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) The Company has obtained loan facilities of approximately HK\$150,000,000 from its ultimate holding company Wai Chun Fund, which will be provided on a sub-ordinated basis, Wai Chun Fund will not demand the Company for repayment of such loans until all other liabilities of the Group had been satisfied;
- (ii) In addition to the loan facilities stated above, Wai Chun Fund has also undertaken to provide adequate funds to enable the Group to meet in full its financial obligations when they fall due in the foreseeable future;
- (iii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through placements of shares. The proceeds will be used for general working capital and improve the liquidity of the Group; 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.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 31 December 2015 taking into account the impact of above measures, the Directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the end of reporting period, and accordingly, are satisfied that it is appropriate to prepare the 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 consolidated financial statements.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

The application of the above amendments to HKFRSs and new interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the 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 2010–2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>4</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>5</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.
- <sup>3</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors of the Company anticipate that the application of these new and revised standards and amendments will have no material impact on the consolidated financial statements.

### **New Companies Ordinance**

In addition, the requirements of Part 9, “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) (“Companies Ordinance”) come into operation from the Group’s first financial year commencing after 3 March 2014 (that is, the Group’s financial year which began on 1 January 2015) in accordance with section 358 of the Companies Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far, it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

## **4. SEGMENT INFORMATION**

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

For management purposes, the Group’s reportable segments under HKFRS 8 are as follows:

Modified starch and other biochemical products	— Manufacture and sale of modified starch and other biochemical products
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 conform to HKFRSs that are regularly reviewed by the CODM of the Company.

Agency trade business was discontinued in year 2013.

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



## ***Business segments***

### *Segment revenues and results*

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

#### **For the year ended 31 December 2014**

	<u>Continuing operations</u>			<u>Discontinued operation</u>		
	<b>Modified starch and other biochemical products</b> <i>HK\$'000</i>	<b>Footwear</b> <i>HK\$'000</i>	<b>General trading</b> <i>HK\$'000</i>	<b>Sub-total</b> <i>HK\$'000</i>	<b>Agency trade business</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Segment revenue	<u>314,091</u>	<u>18,563</u>	<u>61,462</u>	<u>394,116</u>	<u>—</u>	<u>394,116</u>
Segment results	<u>(5,054)</u>	<u>(5,027)</u>	<u>296</u>	<u>(9,785)</u>	<u>—</u>	<u>(9,785)</u>
Other revenue				2,588		2,588
Gain on disposal of a subsidiary				2,712		2,712
Impairment loss on trade and bills receivables				(380)		(380)
Impairment loss on deposits, prepayments and other receivables				(300)		(300)
Central administration costs				(9,237)		(9,237)
Finance costs				(3,291)		(3,291)
				(17,693)		(17,693)
Income tax expense				(11)		(11)
Loss for the year				<u>(17,704)</u>		<u>(17,704)</u>

For the year ended 31 December 2013

	Continuing operations			Discontinued operation		
	Modified starch and other biochemical products <i>HK\$'000</i>	Footwear <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Agency trade business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>321,775</u>	<u>28,927</u>	<u>22,880</u>	<u>373,582</u>	<u>514</u>	<u>374,096</u>
Segment results	<u>(11,067)</u>	<u>(6,559)</u>	<u>65</u>	<u>(17,561)</u>	<u>(677)</u>	<u>(18,238)</u>
Other revenue				2,348		2,348
Impairment loss on deposits, prepayments and other receivables				(937)		(937)
Central administration costs				(7,647)		(7,647)
Finance costs				<u>(5,724)</u>		<u>(5,724)</u>
Income tax expense				<u>(29,521)</u>		<u>(30,198)</u>
				<u>(594)</u>		<u>(594)</u>
Loss for the year				<u>(30,115)</u>		<u>(30,792)</u>

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

Segment assets and liabilities

At 31 December 2014

	Continuing operations				Discontinued operation	
	Modified starch and other biochemical products	Footwear	General trading	Sub-total	Agency trade business	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>						
Segment assets	127,860	3,138	8,271	139,269	—	139,269
Unallocated assets						666
<b>Consolidated assets</b>						<b>139,935</b>
<b>Liabilities</b>						
Segment liabilities	(98,561)	(1,362)	(8,400)	(108,323)	—	(108,323)
Unallocated liabilities						(23,667)
<b>Consolidated liabilities</b>						<b>(131,990)</b>
<b>Geographical assets</b>						
Hong Kong						3,804
Macau						8,271
The People's Republic of China (the "PRC")						127,860
						<b>139,935</b>

At 31 December 2013

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

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

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

*Other segment information*

For the year ended 31 December 2014

	Modified starch and other biochemical products <i>HK\$'000</i>	Footwear <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Continuing operations					
Additions to property, plant and equipment	6,640	—	—	—	6,640
Depreciation and amortisation	4,372	212	—	—	4,584
Prepayments for acquisition of property, plant and equipment	<u>711</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>711</u>

For the year ended 31 December 2013

	Modified starch and other biochemical products <i>HK\$'000</i>	Footwear <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Continuing operations					
Additions to property, plant and equipment	4,541	5	—	—	4,546
Depreciation and amortisation	3,489	244	—	—	3,733
Prepayments for acquisition of property, plant and equipment	<u>335</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>335</u>

### *Geographical information*

For the years ended 31 December 2014 and 2013, the Group's operations were principally located in Hong Kong (country of domicile) and PRC with revenue and profits from its operations.

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

	Revenue from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	74,773	51,806	86	298
The Republic of Korea	1,182	32,055	—	—
PRC	318,161	284,921	76,000	72,480
Others	—	4,800	—	—
	<u>394,116</u>	<u>373,582</u>	<u>76,086</u>	<u>72,778</u>

### *Information on major customers*

For the year ended 31 December 2014, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$314,091,000 are revenue of approximately HK\$82,059,000 and HK\$79,129,000 and included in revenue arising from general trading of approximately of HK\$61,462,000 are revenue of approximately of HK\$56,210,000 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 year ended 31 December 2013, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$321,775,000 are revenue of approximately HK\$84,247,000 and HK\$37,631,000 respectively arising from sales to Group's two largest customers. No other single customer contributed 10% or more to the Group's sale.

### *Information on major suppliers*

For the year ended 31 December 2014, included in purchases arising from purchases of modified starch and other biochemical products of approximately HK\$288,159,000 are purchases of approximately HK\$157,537,000, HK\$44,982,000 and HK\$35,994,000 respectively arising from purchases from Group's three largest suppliers. No other single supplier contributed 10% or more to the Group's purchases.

For the year ended 31 December 2013, included in purchases arising from purchases of modified starch and other biochemical products of approximately HK\$358,451,000 is purchases of approximately HK\$107,370,000 arising from purchases from the Group's largest suppliers. No other single supplier contributed 10% or more to the Group's purchases.

## 5. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on:		
— Bank loans, bank overdrafts and bills payables wholly repayable within five years	2,207	3,786
— Loans from an ultimate holding company	924	1,778
— Short-term loan from an independent third party	160	160
	<u>3,291</u>	<u>5,724</u>
Total	<u><u>3,291</u></u>	<u><u>5,724</u></u>

## 6. INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The income tax expense comprises:		
Current income tax:		
— PRC Enterprise Income Tax	11	—
	<u>11</u>	<u>—</u>
Under provision of income tax in prior years:		
— PRC Enterprise Income Tax	—	594
	<u>—</u>	<u>594</u>
Total income tax expense	<u><u>11</u></u>	<u><u>594</u></u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the year (2013: HK\$nil).

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2013: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense for the years can be reconciled to the loss before income tax per the consolidated statement of profit and loss as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss before income tax	<u>(17,693)</u>	<u>(29,521)</u>
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	(2,919)	(4,871)
Effect of different tax rates of subsidiaries operating in other jurisdiction	(316)	(1,096)
Tax effect of expenses not deductible for tax purpose	1,585	1,735
Tax effect of deductible temporary differences not recognised	30	35
Tax effect on tax reduction	(18)	—
Tax effect of tax losses not recognised	2,030	4,197
Utilisation of tax losses previously not recognised	(381)	—
Under provision in prior year	<u>—</u>	<u>594</u>
Income tax expense for the year (relating to continuing operations)	<u><b>11</b></u>	<u>594</u>

## 7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year is arrived at after charging the following items:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Auditor's remuneration	500	500
Cost of inventories	389,013	364,225
Interest expenses	3,291	5,724
Impairment loss on trade and bills receivables	380	—
Impairment loss on deposits, prepayments and other receivables	300	937
Write-back of trade payables	10	—
Depreciation on property, plant and equipment	3,787	3,168
Loss on disposal of property, plant and equipment	—	490
Loss on exchange, net	314	2,325
Amortisation on prepaid land lease payments	797	565
Staff costs (including Directors' emoluments and retirement benefit costs)	<u>6,180</u>	<u>12,132</u>



## 8. DIVIDEND

No dividend was paid or proposed during 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

## 9. LOSS PER SHARE

### *For continuing and discontinued operations*

The calculation of basic and diluted loss per share was based on the Group's loss attributable to owners of the Company of approximately HK\$15,884,000 (2013: approximately HK\$22,170,000) and the weighted average number of ordinary shares of 15,761,534,691 (2013: 15,454,685,376) in issue during the year.

### *From continuing operations*

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<b>15,884</b>	22,170
Less: loss for the year from discontinued operation attributable to owners of the Company	<u>—</u>	<u>176</u>
Loss for the purpose of basic and diluted loss per share from continuing operations attributable to owners of the Company	<u><b>15,884</b></u>	<u>21,994</u>

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

### *From discontinued operation*

For the year ended 31 December 2013, basic and diluted loss per share for the discontinued operation attributable to owners of the Company is HK0.001 cents per share, based on the loss for the year from discontinued operation attributable to owners of the Company of approximately HK\$176,000 and the denominators detailed above for both basic and diluted loss per share.

Effective of dilutive potential shares in respect of convertible preference shares would result in anti-dilutive effect in calculation of diluted loss per share in continuing and discontinued operations. Therefore the basic and diluted loss per share in 2014 and 2013 are the same.

## 10. TRADE AND BILLS RECEIVABLES

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	<b>29,327</b>	17,538
Bills receivable	<b>13</b>	—
	<b>29,340</b>	17,538
Less: provision for impairment	<b>(4,198)</b>	(3,818)
Total	<b>25,142</b>	13,720

The Group allows average credit period of 30 to 180 days to its customers. Receivables that were current relate to customers for whom there was no recent history of default. As at 31 December 2014, the Group has assessed the recoverability of the receivables past due and made a provision for impairment. The provision for impairment is made unless the Group has concluded that recovery is remote, in which case the unrecovered loss is written off against trade and bills 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 based on the invoice date and net of provision for impairment, as at the reporting date is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0–30 days	<b>17,234</b>	10,860
31–60 days	<b>3,884</b>	156
61–90 days	<b>3,183</b>	76
91–180 days	<b>412</b>	25
Over 180 days	<b>429</b>	2,603
Total	<b>25,142</b>	13,720

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At 1 January	<b>3,818</b>	3,818
Provision for impairment	<b>380</b>	—
At 31 December	<b>4,198</b>	3,818

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Overdue by:		
0–30 days	—	231
31–60 days	—	129
61–90 days	—	17
91–180 days	<b>51</b>	39
Over 180 days	<b>378</b>	2,187
	<hr/>	<hr/>
Total	<b>429</b>	2,603
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2014, trade receivables of approximately HK\$429,000 (2013: HK\$2,603,000) were past due but not impaired, as the balances were related to customer with sound repayment history and no recent history of default.

## 11. TRADE PAYABLES

The average credit period on purchases of goods ranges from 30 to 180 days (2013: 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:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
0–30 days	<b>22,640</b>	26,565
31–60 days	<b>2,044</b>	4,000
61–90 days	<b>1,365</b>	3,051
91–180 days	<b>1,616</b>	504
Over 180 days	<b>1,085</b>	1,267
	<hr/>	<hr/>
Total	<b>28,750</b>	35,387
	<hr/> <hr/>	<hr/> <hr/>

## 12. BORROWINGS

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Bank loans ( <i>Note a</i> )	<b>30,364</b>	32,939
Loan from an independent third party ( <i>Note b</i> )	<b>2,570</b>	2,570
	<hr/>	<hr/>
Total	<b>32,934</b>	35,509
	<hr/> <hr/>	<hr/> <hr/>
Secured	<b>30,364</b>	32,939
Unsecured	<b>2,570</b>	2,570
	<hr/>	<hr/>
Total	<b>32,934</b>	35,509
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) It was secured by a guarantee given by a non-controlling shareholder of a subsidiary and the prepaid land lease payments with the carrying amounts of approximately of HK\$29,860,000 (2013: approximately HK\$29,464,000). All bank loans are denominated in Renminbi with variable interest rate from 7.2% to 8.4% (2013: 4.9% to 11.0%) per annum.
- (b) Bearing interest at 1% above Hong Kong Prime Rate granted by Standard Chartered Bank (Hong Kong) Limited per annum during the year.

### 13. OPERATING LEASES COMMITMENTS

#### *The Group as lessee*

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Lease payments in respect of rented premises paid under operating leases during the year	<b><u>3,188</u></b>	<u>3,216</u>

At the end of the reporting 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:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>2,657</b>	3,258
In the second to fifth year inclusive	<u>—</u>	<u>2,657</u>
Total	<b><u>2,657</u></b>	<u>5,915</u>

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.

### 14. PLEDGE OF ASSETS

The Group has pledged prepaid land lease payments with carrying amounts of approximately HK\$29,860,000 (2013: Pledged prepaid land lease payments with carrying amounts of approximately HK\$29,464,000 and discontinued operation's bank deposits of approximately HK\$1,471,000) to secure the bank loans and general banking facilities granted to the Group.

## **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 2014.

### **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 2014, 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 2014 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\$17,704,000 for the year ended 31 December 2014 and had a net operating cash outflow of approximately HK\$15,837,000, and as at 31 December 2014, the Group's capital deficiency attributable to owners of the Company was approximately HK\$6,412,000. 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 2014, the Group recorded a revenue of approximately HK\$394,116,000 from continuing operations (2013: approximately HK\$373,582,000), representing an increase of approximately 5.5% as compared to that of 2013. The Group recorded a gross profit and gross profit margin of approximately HK\$5,051,000 (2013: approximately HK\$8,798,000) and 1.3% (2013: 2.4%) respectively from continuing operations, representing decreases of approximately 42.6% and 45.8% respectively as compared to 2013.

Selling expenses for continuing operations recorded a decrease of 26.6% from approximately HK\$4,870,000 in 2013 to approximately HK\$3,576,000 in current year. The decrease in selling expenses is mainly attributable to the decrease in export sales of the PRC subsidiaries. Administrative expenses from continuing operations decreased by 29.7% from approximately HK\$29,136,000 in 2013 to approximately HK\$20,497,000 in current year.

Loss attributable to owners of the Company from continuing operations for the year amounted to approximately HK\$15,884,000 (2013: approximately HK\$21,994,000). The decrease in the loss was mainly due to (i) a decrease in operating expenses due to tighter cost control and the disposal of a subsidiary; and (ii) a gain on disposal of a subsidiary.

### ***Footwear Business***

The footwear business recorded a revenue of approximately HK\$18,563,000 (2013: approximately HK\$28,927,000) and a segmental loss of approximately HK\$5,027,000 in 2014 (2013: approximately HK\$6,559,000) respectively, representing a decrease in the turnover of approximately HK\$10,364,000 and a decrease in segmental loss of approximately HK\$1,532,000 respectively when compared to 2013.

### ***Modified Starch and other Biochemical Business***

The performance of the modified starch business and other biochemical business have deteriorated when compared to that of 2013, which contributed approximately HK\$314,091,000 (2013: approximately HK\$321,775,000) and approximately HK\$5,054,000 (2013: approximately HK\$11,067,000) to the Group's turnover and segmental loss respectively, representing a decrease of approximately 2.4% in turnover and a decrease of approximately 54.3% in segmental loss when compared to that of 2013.

### ***General trading Business***

The Group commenced the general trading business in the second half year of 2013. The general trading business recorded a revenue of approximately HK\$61,462,000 (2013: approximately HK\$22,880,000) and a segmental profit of approximately HK\$296,000 in 2014 (2013: approximately HK\$65,000) respectively.

### **Financial Resources and Position**

As at 31 December 2014, the Group had net current liabilities of approximately HK\$50,374,000 (2013: approximately HK\$29,028,000) and cash and cash equivalents of approximately HK\$1,955,000 (2013: approximately HK\$7,023,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As at 31 December 2014, the current ratio of the Group was approximately 0.56 times (2013: approximately 0.83 times).

Total debts of the Group amounted to approximately HK\$55,951,000 (2013: approximately HK\$96,730,000), comprising borrowings of approximately HK\$32,934,000 (2013: approximately HK\$56,466,000), loans from an ultimate holding company of approximately HK\$17,767,000 (2013: approximately HK\$32,449,000) and amounts due to a non-controlling shareholder of a subsidiary of approximately HK\$5,250,000 (2013: approximately HK\$7,815,000). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing at prevailing market interest rates. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 38.6% (2013: approximately 42.7%), representing a decrease of approximately 4.1% as compared to 2013.

The Group had future minimum lease payments under a non-cancelable operating lease in respect of rented premises amounting to approximately HK\$2,657,000 (2013: approximately HK\$5,915,000). On the basis of the undrawn loan facilities of approximately HK\$150,000,000, granted by its ultimate holding company, Wai Chun Investment Fund ("Wai Chun Fund"), which will be provided on a subordinated basis, the directors believe that the Group has sufficient financial resources for its operations. The directors will remain cautious in the Group's liquidity management.

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

## **Foreign Currency Fluctuation**

For the year ended 31 December 2014, 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**

As at 31 December 2014, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 31 December 2014, the Group's prepaid land lease payments with carrying amount of approximately HK\$29,860,000 (2013: approximately HK\$29,464,000) were pledged to secure the bank borrowings. As at 31 December 2014, no operation's bank deposits (2013: approximately HK\$1,470,000 which were included in disposal group) have been pledged to secure the bank loans and banking facilities granted to the Group.

## **Dividend**

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2014.

## **BUSINESS REVIEW**

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

On 30 October 2013, the Group entered into an agreement with an independent purchaser to dispose of its entire 51% equity interests of Century-light Industry Company Limited ("Century-light Industry") at a consideration of RMB6,630,000 (equivalent to approximately HK\$8,336,000) (the "Disposal"). The Disposal was completed in March 2014 and resulted in a gain on disposal of a subsidiary of approximately HK\$2,712,000.

During the year under review, the business of manufacture and sales of modified starch, biochemical products and corn oil products recorded segment loss of approximately HK\$5,054,000 (2013: approximately HK\$11,067,000). Such improvement was mainly due to the reduction in operating costs arising from the disposal of Century-light Industry and tighter cost control. The business of general trading recorded segment profits of approximately HK\$296,000 during the year, whereas the footwear business, which continued to be hampered by low consumer spending and keen competition, recorded segment loss of approximately HK\$5,027,000 (2013: approximately HK\$6,559,000).

## **OUTLOOK**

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

## **OTHER INFORMATION**

### **Employees**

As at 31 December 2014, the Group had a total of 124 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.

### **Material Acquisition and Disposal of Subsidiaries**

There was no material acquisition of subsidiaries for the year ended 31 December 2014.

Century-light Industry Company Limited, which is an indirect non wholly-owned subsidiary of the Company, was disposed on 25 March 2014.

### **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 2014.



## **Code on Corporate Governance Practices**

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the “Code”) set out 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 2014 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 2014.

## **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 2014, in conjunction with the Group’s external auditor, HLM CPA Limited.

## **Scope of Work of HLM CPA Limited**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 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.

## **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.

## **PUBLICATION OF ANNUAL RESULTS AND 2014 ANNUAL REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.0660.hk](http://www.0660.hk)). The 2014 annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 March 2015

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

TO Yan Ming, Edmond