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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)**

## 2016 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 2016 together with the comparative figures for 2015 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Turnover</b>	4	<b>464,807</b>	376,808
Cost of sales		<u><b>(452,651)</b></u>	<u>(374,985)</u>
Gross profit		<b>12,156</b>	1,823
Other revenue		<b>1,376</b>	953
Selling expenses		<b>(5,778)</b>	(3,424)
Administrative expenses		<b>(43,502)</b>	(16,902)
Impairment loss on trade and bills receivables		<b>(1,942)</b>	(3,298)
Impairment loss on deposits, prepayments and other receivables		<b>(1,451)</b>	–
Finance costs	5	<u><b>(2,826)</b></u>	<u>(4,825)</u>
Loss before tax		<b>(41,967)</b>	(25,673)
Income tax expense	6	<u><b>(79)</b></u>	–
Loss for the year	7	<u><u><b>(42,046)</b></u></u>	<u><u>(25,673)</u></u>

\* *for identification purposes only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)***For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <b><i>HK\$'000</i></b>	2015 <i>HK\$'000</i>
Loss for the year attributable to:			
– Owners of the Company		<b>(39,169)</b>	(19,596)
– Non-controlling interests		<b>(2,877)</b>	(6,077)
		<b>(42,046)</b>	(25,673)
<b>Loss per share</b>	<i>9</i>	<b><i>HK cents</i></b>	<i>HK cents</i>
– Basic		<b>(0.24)</b>	(0.12)
– Diluted		<b>(0.24)</b>	(0.12)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the year ended 31 December 2016*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Loss for the year</b>	<b><u>(42,046)</u></b>	<b><u>(25,673)</u></b>
<b>Other comprehensive expense</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(849)</u>	<u>(1,286)</u>
Other comprehensive expense, net of income tax	<u>(849)</u>	<u>(1,286)</u>
<b>Total comprehensive expense for the year</b>	<b><u>(42,895)</u></b>	<b><u>(26,959)</u></b>
<b>Total comprehensive expenses attributable to:</b>		
– Owners of the Company	(39,602)	(20,252)
– Non-controlling interests	<u>(3,293)</u>	<u>(6,707)</u>
	<b><u>(42,895)</u></b>	<b><u>(26,959)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		35,772	35,334
Prepaid land lease payments		<u>30,445</u>	<u>33,229</u>
		<u>66,217</u>	<u>68,563</u>
<b>Current assets</b>			
Inventories		38,381	36,036
Prepaid land lease payments		683	730
Trade and bills receivables	10	26,254	23,461
Deposits, prepayments and other receivables		8,630	7,838
Financial assets at fair value through profit or loss		1,419	1,669
Bank balances and cash		<u>6,464</u>	<u>10,605</u>
		<u>81,831</u>	<u>80,339</u>
<b>Current liabilities</b>			
Trade and bills payables	11	57,244	43,663
Accruals and other payables		17,121	27,230
Tax liabilities		52	–
Amounts due to a non-controlling shareholder of a subsidiary		14,561	16,328
Borrowings	12	<u>55,854</u>	<u>53,846</u>
		<u>144,832</u>	<u>141,067</u>
<b>Net current liabilities</b>		<u>(63,001)</u>	<u>(60,728)</u>
<b>Total assets less current liabilities</b>		<u>3,216</u>	<u>7,835</u>
<b>Non-current liability</b>			
Loans from the ultimate holding company		<u>15,049</u>	<u>26,849</u>
<b>Net liabilities</b>		<u>(11,833)</u>	<u>(19,014)</u>
<b>Capital and reserves</b>			
Share capital – ordinary shares		40,677	40,677
Share capital – convertible preference shares		1,342	–
Reserves		<u>(58,209)</u>	<u>(67,341)</u>
Capital deficiency attributable to owners of the Company		(16,190)	(26,664)
Non-controlling interests		<u>4,357</u>	<u>7,650</u>
Capital deficiency		<u>(11,833)</u>	<u>(19,014)</u>

## 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. 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. On 2 November 2016, Wai Chun Investment Fund transferred its holding of 100% issued share capital of Chinese Success Limited to Oriental Success. After completion of the transfer, Oriental Success becomes the ultimate holding company of the Company.

The principal activities of the Group are the manufacture and sale of modified starch and 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 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.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016, the Group incurred a loss of approximately HK\$42,046,000 and had a net operating cash outflow of approximately HK\$15,088,000, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$63,001,000 and HK\$11,833,000 respectively, and also, the Group’s capital deficiency attributable to owners of the Company was HK\$16,190,000. 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 31 December 2016, the Company has undrawn loan facilities of approximately HK\$110,112,000 granted by its ultimate holding company, Oriental Success, which will be provided on a sub-ordinated basis, i.e. Oriental Success will not demand the Company for repayment of such loans until all the other liabilities of the Group had been satisfied. 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;
- (ii) In addition to the loan facilities stated above, Oriental Success and 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 to continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statement;
- (iii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund raising arrangement; 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 2017 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.

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 strength 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 27	Equity Method in Separate Financial Statements
HKFRS 14	Regulatory Deferral Accounts

The application of the new and amendments to HKFRSs 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 amendments to HKFRSs issued but not yet effective**

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

Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</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>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2017
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2019
- <sup>4</sup> Effective for annual periods beginning on or after a date to be determined

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

#### 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 conforming to HKFRSs and these reports are regularly reviewed by the CODM of the Company.

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

##### **Business segments**

##### *Segment revenues and results*

The following is an analysis of the Group’s revenues and results by reportable and operating segment:

For the year ended 31 December 2016

	Modified starch and other biochemical products <i>HK\$'000</i>	Footwear <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>429,254</u>	<u>755</u>	<u>34,798</u>	<u>464,807</u>
Segment (loss) profit	<u>(4,743)</u>	<u>(6,131)</u>	<u>128</u>	<u>(10,746)</u>
Other revenue				1,376
Central administration costs				(29,771)
Finance costs				<u>(2,826)</u>
Loss before tax				(41,967)
Income tax expense				<u>(79)</u>
Loss for the year				<u>(42,046)</u>

For the year ended 31 December 2015

	Modified starch and other biochemical products <i>HK\$'000</i>	Footwear <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>292,808</u>	<u>6,396</u>	<u>77,604</u>	<u>376,808</u>
Segment (loss) profit	<u>(10,039)</u>	<u>(5,361)</u>	<u>343</u>	<u>(15,057)</u>
Other revenue				953
Central administration costs				(6,744)
Finance costs				<u>(4,825)</u>
Loss before tax				(25,673)
Income tax expense				<u>—</u>
Loss for the year				<u>(25,673)</u>



*Segment assets and liabilities*

**At 31 December 2016**

	<b>Modified starch and other biochemical products HK\$'000</b>	<b>Footwear HK\$'000</b>	<b>General trading HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Assets</b>				
Segment assets	145,750	1,985	–	147,735
Unallocated assets				<u>313</u>
Consolidated assets				<u><u>148,048</u></u>
<b>Liabilities</b>				
Segment liabilities	(136,859)	(322)	(34)	(137,215)
Unallocated liabilities				<u>(22,666)</u>
Consolidated liabilities				<u><u>(159,881)</u></u>
<b>Geographical assets</b>				
Hong Kong				2,298
Macau				–
PRC				<u>145,750</u>
				<u><u>148,048</u></u>

At 31 December 2015

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

## Other segment information

For the year ended 31 December 2016

	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>
Additions to property, plant and equipment	5,629	652	–	–	6,281
Depreciation and amortisation	4,059	45	–	–	4,104
Impairment loss on trade and bills receivables	1,942	–	–	–	1,942
Impairment loss on deposits, prepayments and other receivables	1,451	–	–	–	1,451
Reversal of write-down of inventories	(677)	–	–	–	(677)
Loss on disposal of property, plant and equipment	286	–	–	–	286

For the year ended 31 December 2015

	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>
Additions to property, plant and equipment	2,725	17	–	–	2,742
Depreciation and amortisation	4,056	46	–	–	4,102
Impairment loss on trade and bills receivables	3,298	–	–	–	3,298
Write-down of inventories	3,741	–	–	28	3,769
Loss on disposal of property, plant and equipment	1	–	–	–	1

## Geographical information

For the years ended 31 December 2016 and 2015, 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		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	35,553	80,755	663	56
PRC	429,254	296,053	65,554	68,507
	<u>464,807</u>	<u>376,808</u>	<u>66,217</u>	<u>68,563</u>

## Information on major customers

For the year ended 31 December 2016, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$429,254,000 are revenue of approximately of HK\$109,403,000, HK\$70,119,000 and HK\$39,323,000 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 2015, included in revenue arising from sales of modified starch and other biochemical products of approximately HK\$292,808,000 are revenue of approximately HK\$82,023,000 and HK\$62,322,000 and included in revenue arising from general trading of approximately of HK\$77,604,000 are revenue of approximately of HK\$74,359,000 respectively arising from sales to the Group's three largest customers. No other single customer contributed 10% or more to the Group's sale.

## Information on major suppliers

For the year ended 31 December 2016, included in purchases arising from purchases of modified starch and other biochemical products of approximately HK\$455,994,000 are purchases of approximately HK\$275,264,000, HK\$23,846,000 and HK\$17,630,000 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 year ended 31 December 2015, included in purchases arising from purchases of modified starch and other biochemical products of approximately HK\$280,925,000 are purchases of approximately HK\$155,614,000 and included in purchases arising from general trading of approximately of HK\$77,220,000 are purchases of approximately HK\$32,416,000 and 27,326,000 respectively arising from purchases from Group's three largest suppliers. No other single supplier contributed 10% or more to the Group's purchases.

## 5. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on:		
– Bank loans and bank overdrafts	2,426	3,317
– Loans from the ultimate holding company	240	1,348
– Short-term loan from an independent third party	160	160
	<u>2,826</u>	<u>4,825</u>
Total	<u><u>2,826</u></u>	<u><u>4,825</u></u>

## 6. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	79	–
	<u>79</u>	<u>–</u>
	<u><u>79</u></u>	<u><u>–</u></u>

No provision for taxation in Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. 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 years (equivalent to approximately HK\$567,000).

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before income tax	<u>(42,046)</u>	<u>(25,673)</u>
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	(6,937)	(4,236)
Effect of different tax rates of subsidiaries in other jurisdiction	(515)	(1,099)
Tax effect of expenses not deductible for tax purpose	4,978	1,788
Tax effect of income not taxable for tax purpose	–	(427)
Tax effect of deductible temporary differences not recognised	(65)	1
Tax effect on tax reduction	(5)	(24)
Tax effect of tax losses not recognised	2,623	3,997
	<u>79</u>	<u>–</u>
Income tax expense for the year	<u><u>79</u></u>	<u><u>–</u></u>

## 7. LOSS FOR THE YEAR

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Auditor's remuneration	500	500
Cost of inventories recognised as an expense	452,651	374,968
Impairment loss on trade and bills receivables	1,942	3,298
Impairment loss on deposits, prepayments and other receivables	1,451	–
(Reversal of) write-down of inventories	(677)	3,769
Depreciation on property, plant and equipment	3,389	3,340
Loss on disposal of property, plant and equipment	286	1
Net exchange loss	–	19
Share-based payment expenses	23,228	–
Amortisation of prepaid land lease payments	715	762
Staff costs (including Directors' emoluments and retirement benefit costs)	5,727	5,985
And after crediting:		
Gain on disposal of prepaid land lease payment	–	741

## 8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period (2015: HK\$Nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of the basic loss per share is based on loss attributable to owners of the Company of HK\$39,169,000 (2015: HK\$19,596,000) and the number of 16,270,685,376 ordinary shares (2015: the weighted average number of 15,956,416,883 ordinary shares) in issue.

	2016 <i>Number of shares</i>	2015 <i>Number of shares</i>
<b>Number of ordinary shares</b>		
<b>(2015: weighted average number of ordinary shares)</b>		
Issued ordinary shares at 1 January	16,270,685,376	15,954,685,376
Effect of conversion of convertible preference shares	–	1,731,507
Number of ordinary shares		
(2015: weighted average number of ordinary shares) at 31 December	<u>16,270,685,376</u>	<u>15,956,416,883</u>

**(b) Diluted loss per shares**

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 year 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 same as the basic loss per share.

**10. TRADE AND BILLS RECEIVABLES**

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>35,173</b>	30,778
Bills receivables	<b>519</b>	179
	<hr/>	<hr/>
	<b>35,692</b>	30,957
Less: Provision for impairment	<b>(9,438)</b>	(7,496)
	<hr/>	<hr/>
Total	<b>26,254</b>	23,461
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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 2016, 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 ageing 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>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–30 days	<b>16,366</b>	11,149
31–60 days	<b>2,189</b>	3,305
61–90 days	<b>2,798</b>	2,218
91–180 days	<b>4,901</b>	4,331
Over 180 days	–	2,458
	<hr/>	<hr/>
Total	<b>26,254</b>	23,461
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 January	<b>7,496</b>	4,198
Provision for impairment	<b>1,942</b>	3,298
	<hr/>	<hr/>
At 31 December	<b>9,438</b>	7,496
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Overdue by:		
0–30 days	–	–
31–60 days	–	–
61–90 days	–	–
91–180 days	–	2,243
Over 180 days	–	215
	<hr/>	<hr/>
Total	<b>–</b>	2,458
	<hr/> <hr/>	<hr/> <hr/>

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

## 11. TRADE AND BILLS PAYABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	<b>57,244</b>	36,210
Bills payables	–	7,453
	<hr/>	<hr/>
Total	<b>57,244</b>	43,663
	<hr/> <hr/>	<hr/> <hr/>



The average credit period on purchases of goods ranges from 30 to 180 days (2015: 30 to 180 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe. The following is an aging analysis of trade payables based on the invoice date:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
0–30 days	<b>49,921</b>	30,138
31–60 days	<b>3,748</b>	3,099
61–90 days	<b>1,468</b>	8,258
91–180 days	<b>648</b>	225
Over 180 days	<b>1,459</b>	1,943
	<hr/>	<hr/>
Total	<b>57,244</b>	43,663
	<hr/> <hr/>	<hr/> <hr/>

## 12. BORROWINGS

	<i>Notes</i>	<b>2016</b>	2015
		<b>HK\$'000</b>	HK\$'000
Bank loans, secured	<i>a</i>	<b>53,284</b>	51,276
Loan from an independent third party, unsecured	<i>b</i>	<b>2,570</b>	2,570
		<hr/>	<hr/>
Total		<b>55,854</b>	53,846
		<hr/> <hr/>	<hr/> <hr/>

*Notes:*

(a) It was secured by a guarantee given by a non-controlling shareholder of a subsidiary and the pledge of the prepaid land lease payments with carrying amounts of approximately HK\$18,554,000 (2015: approximately HK\$21,345,000). All bank loans are denominated in Renminbi with variable interest rate from 4.7% to 6.6% (2015: 5% to 6.6%) per annum.

(b) Bearing interest at 1% above Hong Kong Prime Rate per annum.

## 13. OPERATING LEASE COMMITMENTS

### The Group as lessee

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Lease payments in respect of rented premises paid under operating leases during the year	<b>3,188</b>	3,188
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

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>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	<b>2,657</b>	3,188
In the second to fifth year inclusive	<u>—</u>	<u>2,657</u>
Total	<b><u>2,657</u></b>	<b><u>5,845</u></b>

Operating lease payments represent rental payable 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's prepaid land lease payments with carrying amount of approximately HK\$18,554,000 (2015: approximately HK\$21,345,000) has been pledged 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 2016.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material uncertainty related to going concern**

The accompanying consolidated financial statements for the year ended 31 December 2016 have been prepared assuming that the Group will continue as a going concern. We draw attention to Note 2 to the consolidated financial statements which indicate that the Group incurred a net loss of approximately HK\$42,046,000 for the year ended 31 December 2016 and had a net operating cash outflow of approximately HK\$15,088,000, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$63,001,000 and HK\$11,833,000 respectively, and also, the Group's capital deficiency attributable to owners of the Company was approximately HK\$16,190,000. These conditions indicate the existence of a material uncertainty which 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 consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

## **FINANCIAL REVIEW**

### **Financial Performance**

For the year ended 31 December 2016, the Group recorded a revenue of approximately HK\$464,807,000 from operations (2015: approximately HK\$376,808,000), representing an increase of approximately 23.4% as compared to that of 2015. The Group recorded a gross profit and gross profit margin of approximately HK\$12,156,000 (2015: approximately HK\$1,823,000) and 2.6% (2015: 0.5%) respectively, representing increase of approximately 566.8% and 420.0% respectively as compared to 2015.

Administrative expenses increased by 157.4% from approximately HK\$16,902,000 in 2015 to approximately HK\$43,502,000 in current year. Such increase is mainly due to share-based payment expenses of approximately HK\$23,228,000 recognised for the 699,639,467 share options granted under the Company's share option scheme on 12 January 2016. Selling expenses recorded an increase of 68.8% from approximately HK\$3,424,000 in 2015 to approximately HK\$5,778,000 in current year.

Loss attributable to owners of the Company for the year amounted to approximately HK\$39,169,000 (2015: approximately HK\$19,596,000). The increase in the loss was mainly due to (i) the share based payment expenses of approximately HK\$23,228,000; (ii) an impairment loss on trade and bills receivables totaling HK\$1,942,000 in the modified starch and other biochemical products business and (iii) an impairment loss on deposits, prepayments and other receivables of approximately HK\$1,451,000.

#### ***Modified starch and other biochemical products business***

As a result of higher selling prices and market demand in the PRC during the year, the performance of the modified starch and other biochemical products business have improved when compared to that of 2015, which contributed approximately HK\$429,254,000 (2015: approximately HK\$292,808,000) and approximately HK\$4,743,000 (2015: approximately HK\$10,039,000) to the Group's turnover and segmental loss respectively, representing an increase of approximately 46.6% in turnover but a narrowing of approximately 52.8% in segmental loss when compared to that of 2015.

#### ***Footwear business***

The footwear business recorded a revenue of approximately HK\$755,000 (2015: approximately HK\$6,396,000) and a segmental loss of approximately HK\$6,131,000 in 2016 (2015: approximately HK\$5,361,000) respectively, representing a decrease in the turnover of approximately HK\$5,641,000 and an increase in segmental loss of approximately HK\$770,000 respectively when compared to 2015.

#### ***General trading business***

The general trading business recorded a revenue of approximately HK\$34,798,000 (2015: approximately HK\$77,604,000) and a segmental profit of approximately HK\$128,000 in 2016 (2015: approximately HK\$343,000) respectively.

### **Financial Resources and Position**

As at 31 December 2016, the Group had net current liabilities of approximately HK\$63,001,000 (2015: approximately HK\$60,728,000) and cash and cash equivalents of approximately HK\$6,464,000 (2015: approximately HK\$10,605,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As at 31 December 2016, the current ratio of the Group was approximately 0.57 times (2015: approximately 0.57 times).

Total debts of the Group amounted to approximately HK\$85,464,000 (2015: approximately HK\$97,023,000), comprising borrowings of approximately HK\$55,854,000 (2015: approximately HK\$53,846,000), loans from the ultimate holding company of approximately HK\$15,049,000 (2015: approximately HK\$26,849,000) and amounts due to a non-controlling shareholder of a subsidiary of approximately HK\$14,561,000 (2015: approximately HK\$16,328,000). 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 53.4% (2015: approximately 58.0%), representing a decrease of approximately 4.6% as compared to 2015.

The Group had future minimum lease payments under a non-cancellable operating lease in respect of rented premises amounting to approximately HK\$2,657,000 (2015: approximately HK\$5,845,000). On the basis of the undrawn loan facilities of approximately HK\$110,112,000, granted by its ultimate holding company, Oriental Success Ventures Ltd (“Oriental Success”), 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.

### **Foreign Currency Fluctuation**

For the year ended 31 December 2016, 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 2016, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 31 December 2016, the Group’s prepaid land lease payments with carrying amount of approximately HK\$18,554,000 (2015: approximately HK\$21,345,000) were pledged to secure the bank borrowings. As at 31 December 2016, no bank deposits (2015: HK\$Nil) 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 2016.

## BUSINESS REVIEW AND OUTLOOK

During the year under review, the Group continued to engage in 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 business of manufacture and sales of modified starch, and other biochemical products recorded segment loss of approximately HK\$4,743,000 (2015: approximately HK\$10,039,000). Such a reduction in loss was a result of higher selling prices and market demand in the PRC during the year. The footwear business, which continued to be hampered by low consumer spending and keen competition, recorded segment loss of approximately HK\$6,131,000 (2015: approximately HK\$5,361,000), whereas the business of general trading recorded segment profit of approximately HK\$128,000 during the period (2015: approximately HK\$343,000).

During the year under review, the Company has enlarged the capital base by issuing convertible preference shares and actively identified projects with growth potential for acquisition or investment by entering into a conditional sales and purchase agreement for a proposed acquisition.

On 22 January 2016, the Company and Chinese Success Limited (the controlling shareholder of the Company which is in turn wholly owned by Wai Chun Investment Fund, the “Subscriber”) entered into a subscription agreement whereby the Subscriber agreed to subscribe for, and the Company agreed to issue and allot, 536,960,000 convertible preference shares (“Convertible Preference Shares”) at the issue price of HK\$0.05 per convertible preference share for capitalising the loan from the ultimate holding company in the amount of HK\$26,848,000 (the “Shareholder’s Loan”) (“Loan Capitalisation”).

By entering into the subscription agreement, the Company settled the Shareholder’s Loan without affecting the working capital of the Company. Upon issue of the Convertible Preference Shares, the Shareholder’s Loan was derecognised as the liability of the Company and the Convertible Preference Shares was recognised wholly as equity of the Company which in turn reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Company. In addition, the Company also saves the interest expenses arising from the Shareholder’s Loan. The Loan Capitalisation was approved by the Company’s shareholders at the extraordinary general meeting held on 8 April 2016.

Moreover, on 18 May 2016, the Company entered into a conditional sales and purchase agreement (the “S&P Agreement”) with Wai Chun Investment Fund (the controlling shareholder of the Company, the “Vendor”) pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the entire issued share capital of Oceanic Chief Limited (the “Target Company”) and shareholder’s loan (if any), for an aggregate consideration of HK\$650 million (subject to valuation) and shall be satisfied by way of issuing of 13,000 million convertible preference shares of the Company (the “Proposed Acquisition”). The Target Company and its subsidiaries (the “Target Group”) were granted an exclusive right in the license period of five years (the “License Period”) to display the replica of the artwork and models of a world famous artist in new, modern and innovative methods to introduce the world famous artist and offer a complete multidisciplinary experience of introducing his life (the “Exhibition”). The equipment required and the materials for the Exhibition will be provided by the licensor. The Exhibition will be held in the PRC and it is also allowed to be held in Hong Kong and Macau. The

Target Group will pay an annual license fee to the licensor during the License Period and is entitled to all sale proceeds of the tickets sold during the License Period. By investing in the Target Company, it is expected that the Company can diversify its revenue sources from the ticket sales and the sales of the exhibition merchandise and expand the business of the Group to the cultural industry. The Proposed Acquisition constitutes a major and connected transaction of the Company and is subject to independent shareholders' approval at a general meeting of the Company. More details of the Proposed Acquisition can be found on the announcements of the Company dated 18 May 2016, 8 June 2016, 29 June 2016, 29 July 2016, 29 August 2016, 29 September 2016, 28 October 2016 and 30 December 2016,

Looking forward, the Company will continue to actively identifying projects with growth potential for acquisition or investment.

## **OTHER INFORMATION**

### **Employees**

As at 31 December 2016, the Group had a total of 150 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 and disposal of subsidiaries for the year ended 31 December 2016.

### **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 2016.

### **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 2016 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 2016.

### **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 2016, in conjunction with the Group’s external auditor, HLM CPA Limited.

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

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2016 have been agreed by the Group’s auditors, HLM CPA Limited (the “Auditor”), 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 the preliminary 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 2016 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 2016 annual report of the Company for the year ended 31 December 2016 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, 21 March 2017

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