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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)

2017 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 2017 together with the comparative figures for 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Turnover	4	512,133	464,807
Cost of sales		<u>(499,203)</u>	<u>(452,651)</u>
Gross profit		12,930	12,156
Other revenue		1,605	1,376
Selling expenses		(7,013)	(5,778)
Administrative expenses		(19,009)	(43,502)
Impairment loss on trade and bills receivables		(3,591)	(1,942)
Impairment loss on deposits, prepayments and other receivables		(646)	(1,451)
Finance costs	5	<u>(4,907)</u>	<u>(2,826)</u>
Loss before tax		(20,631)	(41,967)
Income tax expense	6	<u>(111)</u>	<u>(79)</u>
Loss for the year	7	<u><u>(20,742)</u></u>	<u><u>(42,046)</u></u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)*For the year ended 31 December 2017*

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year attributable to:			
– Owners of the Company		(17,399)	(39,169)
– Non-controlling interests		<u>(3,343)</u>	<u>(2,877)</u>
		<u>(20,742)</u>	<u>(42,046)</u>
Loss per share	<i>9</i>	<i>HK cents</i>	<i>HK cents</i>
– Basic		<u>(0.11)</u>	<u>(0.24)</u>
– Diluted		<u>(0.11)</u>	<u>(0.24)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
Loss for the year	(20,742)	(42,046)
Other comprehensive income (expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>556</u>	<u>(849)</u>
Other comprehensive income (expense), net of income tax	<u>556</u>	<u>(849)</u>
Total comprehensive expense for the year	<u>(20,186)</u>	<u>(42,895)</u>
Total comprehensive expenses attributable to:		
– Owners of the Company	(17,116)	(39,602)
– Non-controlling interests	<u>(3,070)</u>	<u>(3,293)</u>
	<u>(20,186)</u>	<u>(42,895)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		42,695	35,772
Prepaid land lease payments		32,004	30,445
		<u>74,699</u>	<u>66,217</u>
Current assets			
Inventories		25,969	38,381
Prepaid land lease payments		735	683
Trade and bills receivables	<i>10</i>	22,518	26,254
Deposits, prepayments and other receivables		14,096	8,630
Financial assets at fair value through profit or loss		3,567	1,419
Bank balances and cash		5,822	6,464
		<u>72,707</u>	<u>81,831</u>
Current liabilities			
Trade payables	<i>11</i>	61,633	57,244
Accruals and other payables		22,846	17,121
Tax payables		61	52
Amounts due to a non-controlling shareholder of a subsidiary		9,903	14,561
Borrowings	<i>12</i>	59,928	55,854
		<u>154,371</u>	<u>144,832</u>
Net current liabilities		<u>(81,664)</u>	<u>(63,001)</u>
Total assets less current liabilities		<u>(6,965)</u>	<u>3,216</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2017*

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Non-current liability			
Loans from the ultimate holding company		<u>25,054</u>	<u>15,049</u>
Net liabilities		<u>(32,019)</u>	<u>(11,833)</u>
Capital and reserves			
Share capital – ordinary shares	15	41,477	40,677
Share capital – convertible preference shares		542	1,342
Reserves		<u>(75,325)</u>	<u>(58,209)</u>
Capital deficiency attributable to owners of the Company		(33,306)	(16,190)
Non-controlling interests		<u>1,287</u>	<u>4,357</u>
Capital deficiency		<u>(32,019)</u>	<u>(11,833)</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 (“**ultimate controlling party**”), who is the chairman of the Board of directors and an executive director of the Company. The address of the registered office of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands, and the principal place of business of the Company is 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

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

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 2017, the Group incurred a loss attributable to the owners of the Company of approximately HK\$17,399,000 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$81,664,000 and HK\$32,019,000 respectively, and also, the Group’s capital deficiency attributable to owners of the Company was HK\$33,306,000. 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 implemented various measures as follow:

- (i) As at 31 December 2017, the Company had undrawn loan facilities of approximately HK\$105,946,000 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;
- (ii) In addition to the loan facilities stated above, Oriental Success and the ultimate controlling party have 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 these 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 coverage period to 31 March 2019 taking into account the impact of above measures, the Directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the 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 to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has been in discussions with various parties for such acquisitions or investments.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the above amendments to HKFRSs in the current year has 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.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²

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

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

³ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

⁴ Effective 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
General trading	–	Trading of electronic parts and components and electrical appliances, athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes.

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

Business segments

Segment 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 2017

	Modified starch and other biochemical products HK\$’000	General trading HK\$’000	Total HK\$’000
Segment revenue	<u>476,290</u>	<u>35,843</u>	<u>512,133</u>
Segment results	<u>(4,666)</u>	<u>185</u>	(4,481)
Other revenue			1,456
Central administration costs			(12,699)
Finance costs			<u>(4,907)</u>
Loss before tax			(20,631)
Income tax expense			<u>(111)</u>
Loss for the year			<u>(20,742)</u>

For the year ended 31 December 2016

	Modified starch and other biochemical products HK\$’000	General trading HK\$’000	Total HK\$’000
Segment revenue	<u>429,254</u>	<u>35,553</u>	<u>464,807</u>
Segment results	<u>(4,743)</u>	<u>(6,003)</u>	(10,746)
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>

Segment assets and liabilities

At 31 December 2017

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

At 31 December 2016

	Modified starch and other biochemical products <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	145,750	1,985	147,735
Unallocated assets			<u>313</u>
Consolidated assets			<u><u>148,048</u></u>
Liabilities			
Segment liabilities	(136,859)	(356)	(137,215)
Unallocated liabilities			<u>(22,666)</u>
Consolidated liabilities			<u><u>(159,881)</u></u>
Geographical assets			
Hong Kong			2,298
Macau			-
PRC			<u>145,750</u>
			<u><u>148,048</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 2017

	Modified starch and other biochemical products <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	8,270	4	–	8,274
Depreciation and amortisation	4,411	135	–	4,546
Impairment loss on trade and bills receivables	3,591	–	–	3,591
Impairment loss on deposits, prepayments and other receivables	623	23	–	646
Reversal of write-down of inventories	(149)	–	–	(149)

For the year ended 31 December 2016

	Modified starch and other biochemical products <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

Geographical information

For the years ended 31 December 2017 and 2016, the Group's operations were principally located in Hong Kong (country of domicile) and the 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	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	35,843	35,553	531	663
PRC	476,290	429,254	74,168	65,554
	<u>512,133</u>	<u>464,807</u>	<u>74,699</u>	<u>66,217</u>

Information on major customers

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	125,703	N/A ¹
Customer B	54,918	109,403
Customer C	54,118	Nil
Customer D	N/A ¹	70,119

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

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

5. FINANCE COSTS

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
– Bank loans and bank overdrafts	3,394	2,426
– Loans from the ultimate holding company	1,251	240
– Short-term loan from an independent third party	160	160
– Bills payable	102	–
	<u>4,907</u>	<u>2,826</u>
Total	<u>4,907</u>	<u>2,826</u>

6. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	<u>111</u>	<u>79</u>
	<u><u>111</u></u>	<u><u>79</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\$588,582).

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before income tax	<u>(20,631)</u>	<u>(41,967)</u>
Tax at the Hong Kong profits tax rate of 16.5% (2016: 16.5%)	(3,404)	(6,924)
Effect of different tax rates of subsidiaries in other jurisdictions	(589)	(515)
Tax effect of expenses not deductible for tax purpose	2,198	4,978
Tax effect of income not taxable for tax purpose	(28)	–
Tax effect of deductible temporary differences not recognised	6	(65)
Tax effect on tax reduction	(10)	(5)
Tax effect of tax losses not recognised	<u>1,938</u>	<u>2,610</u>
Income tax expense for the year	<u><u>111</u></u>	<u><u>79</u></u>

7. LOSS FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	500	500
Cost of inventories recognised as an expense	499,203	452,651
Impairment loss on trade and bills receivables	3,591	1,942
Impairment loss on deposits, prepayments and other receivables	646	1,451
Reversal of write-down of inventories	(149)	(677)
Depreciation on property, plant and equipment	3,841	3,389
Loss on disposal of property, plant and equipment	–	286
Share-based payment expenses	–	23,228
Amortisation of prepaid land lease payments	705	715
Staff costs (including Directors' emoluments and retirement benefit costs)	<u>6,772</u>	<u>5,727</u>

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2017, nor has any dividend been proposed since the end of the reporting period (2016: 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\$17,399,000 (2016: HK\$39,169,000) and the weighted average number of 16,291,726,472 ordinary shares (2016: the number of 16,270,685,376 ordinary shares) in issue.

	2017 <i>Number of shares</i>	2016 <i>Number of shares</i>
Weighted average number of ordinary shares (2016: number of ordinary shares)		
Issued ordinary shares at 1 January	16,270,685,376	16,270,685,376
Effect of conversion of convertible preference shares	<u>21,917,808</u>	<u>–</u>
Weighted average number of ordinary shares (2016: number of ordinary shares) at 31 December	<u><u>16,292,603,184</u></u>	<u><u>16,270,685,376</u></u>

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to share options and convertible preference shares. The calculation of diluted loss per share in the current 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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	35,547	35,173
Bills receivables	<u>–</u>	<u>519</u>
	35,547	35,692
Less: Provision for impairment	<u>(13,029)</u>	<u>(9,438)</u>
Total	<u><u>22,518</u></u>	<u><u>26,254</u></u>

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 2017, 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 dates and net of provision for impairment, as at the reporting date, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	10,322	16,366
31-60 days	6,471	2,189
61-90 days	2,032	2,798
91-180 days	3,693	4,901
Total	22,518	26,254

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	9,438	7,496
Provision for impairment	3,591	1,942
At 31 December	13,029	9,438

No trade receivables were past due but not impaired in both years.

11. TRADE PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	61,633	57,244

The average credit period on purchases of goods ranges from 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 ageing analysis of trade payables based on the invoice dates:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	18,367	49,921
31-60 days	2,746	3,748
61-90 days	39,084	1,468
91-180 days	360	648
Over 180 days	1,076	1,459
Total	61,633	57,244

12. BORROWINGS

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank loans, secured	(a)	57,358	53,284
Loan from an independent third party, unsecured	(b)	2,570	2,570
Total		59,928	55,854

Notes:

- (a) It was secured by an independent third party and the pledge of the prepaid land lease payments with carrying amounts of approximately HK\$17,138,000 (2016: approximately HK\$18,554,000). All bank loans are denominated in Renminbi with variable interest rates from 4.1% to 5% (2016: 4.7% 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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Lease payments in respect of rented premises paid under operating leases during the year	3,388	3,188

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	584	2,657

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\$17,138,000 (2016: approximately HK\$18,554,000) has been pledged to secure the bank loans and general banking facilities granted to the Group.

15. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares of HK\$0.0025 each	Amount HK\$'000
Authorised:			
Balance as at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017		<u>40,000,000,000</u>	<u>100,000</u>
Issued and fully paid:			
Balance as at 1 January 2016, 31 December 2016, 1 January 2017		16,270,685,376	40,677
Conversion of convertible preference shares	<i>(a)</i>	<u>320,000,000</u>	<u>800</u>
Balance as at 31 December 2017	<i>(b)</i>	<u>16,590,685,376</u>	<u>41,477</u>

Notes:

- (a) On 6 December 2017, 320,000,000 of the convertible preference shares were converted into 320,000,000 ordinary shares of the Company.
- (b) These shares issued rank pari passu with others shares in issue in all respect.

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 2017.

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 2017, 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 2017 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 loss attributable to the owners of the Company of approximately HK\$17,399,000 for the year ended 31 December 2017, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$81,664,000 and HK\$32,019,000 respectively, and also, the Group's capital deficiency attributable to owners of the Company amounted to was approximately HK\$33,306,000. 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

For the year ended 31 December 2017, the Group recorded a revenue of approximately HK\$512,133,000 from operations (2016: approximately HK\$464,807,000), representing an increase of approximately 10.2% as compared to that of 2016. The Group recorded a gross profit and gross profit margin of approximately HK\$12,930,000 (2016: approximately HK\$12,156,000) and 2.5% (2016: 2.6%) respectively, representing increase of approximately 6.4% and decrease of 0.1% respectively as compared to 2016.

Administrative expenses decreased by 56.3% from approximately HK\$43,502,000 in 2016 to approximately HK\$19,009,000 in current year. Such decrease is mainly due to share-based payment expenses of approximately HK\$23,228,000 recognised for the 699,639,467 share options granted under the Company's share option scheme on 12 January 2016. Selling expenses recorded an increase of 21.4% from approximately HK\$5,778,000 in 2016 to approximately HK\$7,013,000 in current year.

Loss attributable to owners of the Company for the year amounted to approximately HK\$17,399,000 (2016: approximately HK\$39,169,000). The decrease in the loss was mainly due to (i) the share based payment expenses of approximately HK\$23,228,000 in 2016; (ii) an increase in profit margin of the modified starch and other biochemical products business and (iii) a tight control in administrative expenses.

Modified starch and other biochemical products business

As a result of increase in market demand and selling prices in the PRC during the year, the performance of the modified starch and other biochemical products business have improved when compared to that of 2016, which contributed approximately HK\$476,290,000 (2016: approximately HK\$429,254,000) and approximately HK\$4,666,000 (2016: approximately HK\$4,743,000) to the Group's turnover and segmental loss respectively, representing an increase of approximately 11.0% in turnover and a narrowing of approximately 1.6% in segmental loss when compared to that of 2016.

General trading business

The general trading business recorded a revenue of approximately HK\$35,843,000 (2016: approximately HK\$35,553,000) and a segmental profit of approximately HK\$185,000 in 2017 (2016: a segmental loss of approximately HK\$6,003,000) respectively.

Financial Resources and Position

As at 31 December 2017, the Group had net current liabilities of approximately HK\$81,664,000 (2016: approximately HK\$63,001,000) and cash and cash equivalents of approximately HK\$5,822,000 (2016: approximately HK\$6,464,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As at 31 December 2017, the current ratio of the Group was approximately 0.47 times (2016: approximately 0.57 times).

Total debts of the Group amounted to approximately HK\$94,885,000 (2016: approximately HK\$85,464,000), comprising borrowings of approximately HK\$59,928,000 (2016: approximately HK\$55,854,000), loans from the ultimate holding company of approximately HK\$25,054,000 (2016: approximately HK\$15,049,000) and amounts due to a non-controlling shareholder of a subsidiary of approximately HK\$9,903,000 (2016: approximately HK\$14,561,000). 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 60.4% (2016: approximately 53.4%), representing an increase of approximately 13.1% as compared to 2016.

The Group had future minimum lease payments under a non-cancellable operating lease in respect of rented premises amounting to approximately HK\$584,000 (2016: approximately HK\$2,657,000). On the basis of the undrawn loan facilities of approximately HK\$105,946,000, 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 2017, 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 2017, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 31 December 2017, the Group's prepaid land lease payments with carrying amount of approximately HK\$17,138,000 (2016: approximately HK\$18,554,000) were pledged to secure the bank borrowings. As at 31 December 2017, no bank deposits (2016: 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 2017.

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 and general trading.

The business of manufacture and sales of modified starch, and other biochemical products recorded segment loss of approximately HK\$4,666,000 (2016: approximately HK\$4,743,000). Such a decrease in loss was a result of increase in market demand and selling prices in the PRC during the year. The business of general trading recorded segment profit of approximately HK\$185,000 during the year (2016: a segmental loss of approximately HK\$6,003,000). The footwear business was downsizing significantly in this year and the segment result was included in the general trading.

During the year under review, the Company has enlarged the capital base by conversion of 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.

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

On 24 September 2017, Shenzhen Wai Jun Da Ye Trading Company Limited * (深圳瑋俊達業貿易有限公司), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Hebei Han Wei Biotech Pharmaceutical Company Limited * (河北漢唯生物製藥有限公司) and its original shareholders for an investment cooperation amounting to RMB20,000,000 (equivalent to approximately HK\$23,600,000). The framework agreement was subsequently lapsed.

The Group will continue to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the PRC market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has been in discussions with various parties for such acquisitions or investments.

In order to ensure the Group's financial ability to operate as a going concern, the Directors of the Company have been implementing various measures including the provision of loan facilities by the ultimate holding company, conducting negotiation with potential investors to raise sufficient funds; and will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

OTHER INFORMATION

Employees

As at 31 December 2017, the Group had a total of 126 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 2017.

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 2017.

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 2017 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 2017.

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 2017, 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 2017 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 2017 ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.0660.hk). The 2017 annual report of the Company for the year ended 31 December 2017 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, 29 March 2018

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