**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)**

# 2011 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Wai Chun Mining Industry Group Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

The audited consolidated results of the Group for the year ended 31 December 2011 together with the comparative figures of 2010 are as follows:

## CONSOLIDATED INCOME STATEMENT
*For the year ended 31 December 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Turnover** | 2 | **362,310** | 284,128 |
| Cost of sales | | **(310,823)** | (250,360) |
| Gross profit | | **51,487** | 33,768 |
| Other revenue | | **9,673** | 2,502 |
| Selling expenses | | **(12,170)** | (19,149) |
| Administrative expenses | | **(23,322)** | (28,039) |
| Realised loss on disposal of held for trading investments | | **—** | (2,054) |
| Gain on disposal of subsidiaries | | **3,476** | 40,809 |
| Finance costs | 3 | **(5,299)** | (3,539) |
| **Profit before taxation** | | **23,845** | 24,298 |
| Taxation | 4 | **(10,028)** | (893) |
| **Profit for the year** | 5 | **13,817** | 23,405 |
| (Loss) profit attributable to: | | | |
| — Shareholders of the Company | | **(3,729)** | 20,305 |
| — Non-controlling interests | | **17,546** | 3,100 |
| | | **13,817** | 23,405 |
| **Dividend** | 6 | **—** | — |
| **(Loss) earnings per share** | 7 | ***HK cents*** | *HK cents* |
| — Basic | | **(0.02)** | 0.13 |
| — Diluted | | **(0.02)** | 0.13 |

* *for identification purpose only*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2011*

| | 2011 | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | **13,817** | 23,405 |
| Other comprehensive income: | | |
| Exchange differences on translation | **2,284** | 1,034 |
| **Total comprehensive income for the year** | **16,101** | 24,439 |
| **Total comprehensive (expense) income attributable to:** | | |
| — Shareholders of the Company | **(2,776)** | 20,765 |
| — Non-controlling interests | **18,877** | 3,674 |
| | **16,101** | 24,439 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **21,743** | 15,091 |
| Prepaid leasehold land payments | | **7,986** | 7,768 |
| | | **29,729** | 22,859 |
| **Current assets** | | | |
| Inventories | | **41,122** | 46,334 |
| Prepaid leasehold land payments | | **164** | 159 |
| Trade and bills receivables | *8* | **29,191** | 48,915 |
| Deposits, prepayments and other receivables | | **107,047** | 102,532 |
| Bank balances and cash | | **45,151** | 93,479 |
| | | **222,675** | 291,419 |
| **Current liabilities** | | | |
| Trade payables | *9* | **19,243** | 68,655 |
| Accruals and other payables | | **25,977** | 68,341 |
| Tax payable | | **9,942** | 2,012 |
| Amounts due to an ultimate holding company | | **14,534** | — |
| Borrowings — due within one year | | **118,141** | 124,004 |
| Obligations under finance lease | | **58** | 60 |
| Bank overdrafts | | **—** | 5,694 |
| | | **187,895** | 268,766 |
| **Net current assets** | | **34,780** | 22,653 |
| **Total assets less current liabilities** | | **64,509** | 45,512 |
| **Non-current liability** | | | |
| Obligations under finance lease | | **19** | 86 |
| **Total assets less liabilities** | | **64,490** | 45,426 |
| **Capital and reserves** | | | |
| Share capital | | **38,637** | 38,637 |
| Reserves | | **(14,111)** | (11,335) |
| Equity attributable to Shareholders of the Company | | **24,526** | 27,302 |
| Non-controlling interests | | **39,964** | 18,124 |
| **Total equity** | | **64,490** | 45,426 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2011*

### 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years, except as described below.

**Application of new and revised standards and interpretations**

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 and HKAS 1 |
| HKFRS 1(Amendments) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters |
| HKFRS 3 (Amendments) | Business Combination (2008) — Improvements to HKFRSs (2010) |
| HKAS 24 (as revised in 2009) | Related Party Disclosures |
| HKAS 32 (Amendments) | Classification of Rights Issues |
| HK (IFRIC) — Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement |
| HK (IFRIC) — Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

**HKAS 24 Related Party Disclosures (as revised in 2009)**

HKAS 24 (as revised in 2009) has been revised on the following aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

**New and revised HKFRSs in issue 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.

| | |
|---|---|
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of fixed dates for first-time adopters[1] |
| HKFRS 7 (Amendments) | Disclosures — Transfers of Financial Assets[1] |
| HKFRS 7 (Amendments) | Disclosures — Offsetting Financial Assets and Financial Liabilities[4] |
| HKFRS 9 | Financial Instruments[6] |

| | |
|---|---|
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6] |
| HKFRS 10 | Consolidated Financial Statements[4] |
| HKFRS 11 | Joint Arrangements[4] |
| HKFRS 12 | Disclosures of Interests in Other Entities[4] |
| HKFRS 13 | Fair Value Measurement[4] |
| HKAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income[3] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[2] |
| HKAS 19 (as revised in 2011) | Employee Benefits[4] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[4] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[4] |
| HKAS 32 (Amendments) | Offsetting Financial Assets and Financial Liabilities[5] |
| HK (IFRIC) — Int 20 | Stripping Costs in the Production Phase of a Surface Mine[4] |

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. The amendments made in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) — Int 12 C*onsolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

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

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

## 2. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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 executive directors of the Company being the CODM of the Group.

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

**Business segments**

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

***Segment revenues and results***

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

| | **2011** | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Modified starch and other biochemical products** | **Footwear** | **Consolidated** | Modified starch and other biochemical products | Footwear | Consolidated |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment revenue | **325,708** | **36,602** | **362,310** | 250,925 | 33,203 | 284,128 |
| Segment results | **30,846** | **(2,074)** | **28,772** | 9,247 | (203) | 9,044 |
| Other revenue | | | **13,149** | | | 43,311 |
| Unallocated expenses | | | **(12,777)** | | | (24,518) |
| Finance costs | | | **(5,299)** | | | (3,539) |
| | | | **23,845** | | | 24,298 |
| Taxation | | | **(10,028)** | | | (893) |
| Profit for the year | | | **13,817** | | | 23,405 |

Revenue reported above represents revenue generated from external customers. There was no inter-segment sale during the year (2010: HK$Nil).

*Segment assets and liabilities*

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Modified starch and other biochemical products** | **Footwear** | **Consolidated** | Modified starch and other biochemical products | Footwear | Consolidated |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets** | | | | | | |
| Segment assets | **234,725** | **4,399** | **239,124** | 296,561 | 6,589 | 303,150 |
| Unallocated assets | | | **13,280** | | | 11,128 |
| Consolidated assets | | | **252,404** | | | 314,278 |
| **Liabilities** | | | | | | |
| Segment liabilities | **168,088** | **214** | **168,302** | 264,007 | 1,413 | 265,420 |
| Unallocated liabilities | | | **19,612** | | | 3,432 |
| Consolidated liabilities | | | **187,914** | | | 268,852 |
| **Geographical assets** | | | | | | |
| Hong Kong | | | **17,712** | | | 17,775 |
| PRC | | | **234,692** | | | 296,503 |
| | | | **252,404** | | | 314,278 |

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

- all assets are allocated to reportable segments other than current and deferred tax assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to reportable segments other than current and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

**Other information**

| | 2011 | | | |
|---|---|---|---|---|
| | **Modified starch and other biochemical products** | **Footwear** | **Unallocated** | **Consolidated** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Additions to non-current assets** | **6,707** | **789** | **—** | **7,496** |
| **Depreciation and amortisation** | **1,581** | **41** | **43** | **1,665** |
| **Prepayments** | **89,052** | **14** | **—** | **89,066** |

| | 2010 | | | |
|---|---|---|---|---|
| | Modified starch and other biochemical products | Footwear | Unallocated | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Additions to non-current assets | | | | |
| — acquisition of subsidiaries | 11,833 | — | — | 11,833 |
| — others | 3,994 | 8 | — | 4,002 |
| Depreciation and amortisation | | | | |
| — acquisition of subsidiaries | 311 | — | — | 311 |
| — others | 1,147 | — | 628 | 1,775 |
| Additions to prepaid leasehold land payments | | | | |
| — acquisition of subsidiaries | 7,674 | — | — | 7,674 |
| — others | 235 | — | — | 235 |
| Prepayments | 79,682 | — | — | 79,682 |

**Geographical information**

For the year ended 31 December 2011 and 2010, the Group's operations were principally located in Hong Kong (country of domicile), The People's Republic of China (the "PRC") and The Republic of Korea (the "Korea") with revenue and profits from its operations.

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

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **36,602** | 33,203 | **799** | 86 |
| Korea | **123,844** | 111,928 | **—** | — |
| PRC | **141,851** | 95,381 | **28,930** | 22,773 |
| Others | **60,013** | 43,616 | **—** | — |
| | **362,310** | 284,128 | **29,729** | 22,859 |

**Information on major customers**

For the year ended 31 December 2011 and 2010, revenue is derived from a large number of customers and no single customer or group under common control contributes more than 10% of the Group's turnover. Accordingly, an analysis of customers is not presented.

**Information on major suppliers**

Included in costs of sales arising from purchases of modified starch and other biochemical products from Weifang Shengtai Pharmaceutical Co., Ltd. was approximately HK$110,858,000 (2010: approximately HK$112,877,000) which arose from purchases from the Group's largest supplier. No other single supplier contributed 10% or more to the Group's purchases for 2011 and 2010.

## 3. FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| — Bank loan, bank overdrafts and bills payables wholly repayable within five years | **4,920** | 3,511 |
| — Finance leases | **15** | 15 |
| — Short-term loan from an ultimate holding company | **254** | — |
| — Short-term loan from a related company | **9** | 13 |
| — Short-term loan from an independent third party | **101** | — |
| | **5,299** | 3,539 |

## 4. TAXATION

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Tax expenses attributable to the Company and its subsidiaries: | | |
| Current tax: | | |
| Hong Kong | **—** | — |
| PRC | **9,723** | 1,734 |
| | **9,723** | 1,734 |
| Under/(over) provision in prior years: | | |
| Hong Kong | **—** | (1,005) |
| PRC | **305** | 164 |
| | **305** | (841) |
| Total income tax recognised in profit or loss | **10,028** | 893 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2010: 25%).

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation | **23,845** | 24,298 |
| Tax at the domestic income tax rate of 16.5% (2010: 16.5%) | **3,935** | 4,009 |
| Effect of different tax rates of subsidiaries operating in other jurisdiction | **3,306** | 564 |
| Tax effect of expenses not deductible for tax purpose | **6** | 389 |
| Tax effect of income not taxable for tax purpose | **—** | (6,753) |
| Tax effect of deductible temporary differences not recognised | **(81)** | 186 |
| Tax effect of tax losses not recognised | **2,557** | 3,339 |
| Under-provision for prior year in PRC | **305** | 164 |
| Over-provision for prior year in Hong Kong | **—** | (1,005) |
| Taxation for the year | **10,028** | 893 |

At 31 December 2011, the Group has unused tax losses of approximately HK$99,531,000 (2010: approximately HK$84,084,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams of the Group. The losses may be carried forward indefinitely.

## 5. PROFIT FOR THE YEAR

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year has been arrived at after charging: | | |
| Auditors' remuneration | **500** | 516 |
| Interest expenses | **5,299** | 3,539 |
| Depreciation on property, plant and equipment | **1,498** | 1,527 |
| Amortisation on prepaid leasehold land payments | **167** | 248 |
| Realised loss on disposal of held for trading investments | **—** | 2,054 |
| Staff costs (including directors' emoluments and retirement benefit costs) | **8,948** | 7,391 |
| And after crediting: | | |
| Interest income | **994** | 61 |
| Gain on disposal of subsidiaries | **3,476** | 40,809 |

## 6. DIVIDEND

No dividend was paid or proposed during 2011 and 2010, nor has any dividend been proposed since the end of the reporting period.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share was based on the Group's loss attributable to shareholders of the Company of approximately HK$3,729,000 (2010: profit for the year approximately HK$20,305,000) and the weighted average number of ordinary shares of 15,454,685,376 (2010: 15,221,806,555) during the year.

The diluted earnings per share is not presented because there were no potential dilutive shares during each of the years ended 31 December 2011 and 2010.

## 8. TRADE AND BILLS RECEIVABLES

| | 2011 | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **29,044** | 48,915 |
| Bills receivables | **147** | — |
| Total trade and bills receivables | **29,191** | 48,915 |

The Group allows credit period ranging from 30 to 180 days (2010: 30 to 180 days) to its trade customers. The aging analysis of trade and bills receivables is as follows:

| | 2011 | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **17,922** | 36,437 |
| 31-60 days | **111** | 2,493 |
| 61-90 days | **7,041** | 53 |
| 91-180 days | **3,740** | 5,602 |
| Past due | **377** | 4,330 |
| Total | **29,191** | 48,915 |

Included in the Group's trade and bills receivables as at 31 December 2011, an aggregate carrying amount of approximately HK$28,814,000 was trade debt with credit terms verified under credit procedures. The Group did not hold any collateral over these balances nor did it have a legal right of offset against any amounts owed by the Group to the counterparties. Amount of approximately HK$377,000 were past due at the end of the reporting period, these amounts were come from export tax refund which were still waiting for approval of the PRC government. The Group had not recognised an allowance for bad and doubtful debts because the amounts were still considered recoverable.

Aging of trade and bills receivables which are past due but not impaired:

| | 2011 | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Past due | **377** | 4,330 |

Movement in the allowance for bad and doubtful debts:

| | 2011 | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at beginning of the year | **—** | 1,570 |
| Impairment losses reversed | **—** | (1,570) |
| Balance at end of the year | **—** | — |

Included in the allowance for bad and doubtful debts are individually impaired trade and bills receivables with an aggregate balance of HK$Nil for the two years ended 31 December 2011 and 2010.

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

## 9. TRADE PAYABLES

The average credit period on purchases of goods ranges from 30 to 180 days (2010: 30 to 180 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The aging analysis of trade payables is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **7,131** | 57,909 |
| 31-60 days | **6,758** | 2,847 |
| 61-90 days | **621** | 733 |
| 91-180 days | **2,046** | 3,516 |
| Past due | **2,687** | 3,650 |
| | **19,243** | 68,655 |

# FINANCIAL REVIEW

## Financial Performance

For the year ended 31 December 2011, the Group recorded a turnover of approximately HK$362,310,000 (2010: approximately HK$284,128,000), representing an increase of approximately 27.5% as compared to 2010. The Group recorded a gross profit and gross profit margin of approximately HK$51,487,000 and 14.2% respectively, representing an increase of approximately 52.5% and 19.3% respectively as compared to 2010. Operating expenses decreased by 16.8% from approximately HK$28,039,000 that recorded in 2010 to approximately HK$23,322,000 in 2011.

Loss attributable to shareholders of the Company amounted to approximately HK$3,729,000 as compared to the profit attributable to shareholders of approximately HK$20,305,000 in 2010. The reason for the loss was mainly due to the absence of the gain on disposal of subsidiaries approximately HK$40,809,000 of the Group recorded in 2010.

### *Footwear Business*

The footwear business recorded a turnover of approximately HK$36,602,000 and a segmental loss of HK$2,074,000 in 2011 respectively, representing an increase of the turnover of approximately HK$3,399,000 and a segmental loss of approximately HK$1,871,000 respectively when compared to 2010.

*Modified Starch and Other Biochemical Business*

The modified starch business and other biochemical business has improved when compared to that of 2010, which contributed approximately HK$325,708,000 and approximately HK$30,846,000 to the Group's turnover and segment profit respectively, representing an increase of approximately 30% and approximately 2.3 times respectively when compared to that of 2010.

**Financial Resources and Position**

As at 31 December 2011, the Group financed its operations mainly by internally generated resources and borrowings. The Group had net current assets of approximately HK$34,780,000 (2010: approximately HK$22,653,000) and cash and cash equivalents of approximately HK$45,151,000 (2010: approximately HK$93,479,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As the group's businesses are conducted in Hong Kong and the PRC, therefore the Group is not exposed to any material foreign exchange risk. As at 31 December 2011, the current ratio of the Group was approximately 1.2 times (2010: approximately 1.1 times).

As at 31 December 2011, total borrowings of the Group amounted to approximately HK$132,752,000, representing an increase of approximately 2.2% as compared to approximately HK$129,844,000 on 31 December 2010. Most of the borrowings of the Group are short term in nature and are denominated in Hong Kong Dollars and Renminbi. Most of these borrowings are secured and interest bearing with prevailing market interest rates. The gearing ratio of the Group, which was calculated on the basis of net debt to total assets, increased from 11.6% in 2010 to 34.7% as at 31 December 2011.

Bank deposits of approximately HK$34,762,000 (2010: approximately HK$36,772,000) have been pledged to secure banking facilities granted to the Group. The Group did not have any material contingent liabilities as at 31 December 2011.

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

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2011.

**BUSINESS REVIEW**

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

Although the footwear business recorded an increase in turnover during the year under review, it incurred a loss of approximately HK$2,074,000 during the year as a result of increase in administrative expenses.

Although the global economy has fluctuated during the year, the Group recorded an increase in turnover and gross profit mainly from the modified starch and other biochemical products business during the year under review. This was attributable to fully completion of its factory upgrade of production in the second half of 2010 and expansion of business for the year. The Group expects this trend to continue in 2012.

**Memorandum of Understanding**

On 20 November 2010, the Company entered into the Heads of Agreement ("HOA") with 廣西有色金屬集團有限公司("Guangxi Non-ferrous Metals Group Company Limited") and 廣西新思迪投資貿易有限公司 ("Guangxi Sincerity Investments & Trading Company Limited") together the Guangxi Parties in respect of the possible acquisitions of (i) 74% interest in a manganese mine and 100% interest in a trading company in South Africa; and (ii) the entire interest in two iron mines in the Kingdom of Cambodia. However, the HOA was terminated on 11 March 2011, as there were uncertainties in relation to the reorganisation and compliance with the relevant laws and regulations and the Company and the Guangxi Parties were unable to reach an ultimate agreement on the final structure and terms of definitive agreements. Please refer to the announcements dated 24 November 2010 and 11 March 2011 issued by the Company for details of the HOA and the termination agreement.

**Future Prospect**

The Group will continue to keep focus on its existing business by strengthening the business relationship with existing customers and look for opportunity to expand its customer base. At the same time, the Group will continue to seek new investment opportunities, so as to maximise its profitability and return to the shareholders of the Company in the long run.

The Group has confident that the performance of the operation of the modified starch and other biochemical products business would maintain the growth in the years to come. In this respect, the Company announced on 25 October 2011 has resolved to approve that a conditional supplemental agreement (the "Supplemental Agreement") was entered into on 4 August 2011 between Wai Chun Industrial (Hong Kong) Limited, the wholly owned subsidiary of the Company and Mr. Gong Weifeng (the "Vendor"), the original vendor of the companies comprising the Group's business in the modified starch and other biochemical products, Weifang Century-Light Biology Science Company Limited and its subsidiaries ("Weifang Century Group"), to amend some of the terms of the Sale and Purchase Agreement signed on 8 December 2009 (the "S&P Agreement") in relation to the purchase by the Group of the 51% equity interest of the Weifang Century Group in the Extraordinary General Meeting. Under the Supplemental Agreement, the Group and the Vendor mutually agreed to release and discharge the obligation of each other under the clause of the S&P Agreement as a result of the Vendor not being able to achieve the guaranteed aggregate net profit after tax of RMB8,000,000 for the year ended 31 December 2010. In addition, the Vendor further agreed to the Group to buy back the 51% equity interest from the Group for cash consideration of RMB10,300,000 if the aggregate net profit after tax of the Weifang Century Group for the two years ended 31 December 2011 is less than RMB20,000,000.

The aggregated audited net profit after tax of the Weifang Century Group for the two years ended 31 December 2011 was more than RMB20,000,000. In this respect, the terms of the Supplemental Agreement as mentioned above has been achieved. The Group believes that the Weifang Century Group would continue to contribute the better prospect to the shareholders of the Group in future years.

## OTHER INFORMATION

### Employees

As at 31 December 2011, the Group had a total of 144 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employee discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

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

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

### Code on Corporate Governance Practices

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

The Company complied with the code provisions as set out in the Code throughout the year ended 31 December 2011 except that the Chairman of the Board did not attend and chair the 2011 annual general meeting of the Company as stipulated under code E1.2. The Chairman was away on a business trip on that day.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code") 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 2011.

## 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 2011, in conjunction with the Group's external auditor, HLM & Co.

## Appreciation

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

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

Hong Kong, 29 March 2012

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

*Executive Directors:*
LAM Ching Kui *(Chairman)*
LU Jun Wu *(Chief Executive Officer)*

*Independent Non-executive Directors:*
CHAN Chun Wai, Tony
SHAW Lut, Leonardo
WONG Wai Man, Raymond