

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to report the activities of Nority International Group Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2006.

BUSINESS REVIEW

For the year ended 31st December 2006, the Group recorded turnover of HK\$132.4 million, representing a decrease of approximately 56% from the last year's turnover of HK\$297.6 million. Taking into the account of the impairment loss reversed on freehold land and buildings in Taiwan of HK\$7.9 million (2005: impairment loss recognised of HK\$20.6 million) and a tax charge of HK\$9.6 million (2005: tax credit of HK\$6.7 million), the loss attributable to equity holders of the Company remained stable at HK\$50.8 million, at similar level as last year.

The drop in turnover in 2006 was mainly attributed to the change in product and client mix during management change compounded by intense competition. In addition to the drop in turnover, the loss for the year was to certain extent affected by rising material cost, increasing labour cost and appreciation of Renminbi.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has adhered to stringent and prudent financial policies in monitoring and managing its cash resources as well as banking facilities. As at 31st December 2006, the Group had available cash and bank balances of HK\$4,685,000 (2005: HK\$20,846,000). The banking facilities available to the Group is HK\$8,000,000 (2005: HK\$49,000,000). The banking facilities are secured by legal charges over certain land and buildings of the Group with net book value of HK\$5,235,000 (2005: HK\$14,884,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31st December 2006, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

On 27th February 2007, the Company issued a convertible note to an independent third party in the principal amount of HK\$28,836,800 at the initial conversion price of HK\$0.538 per share.

Save as disclosed above, the Group had no debt securities or capital instruments as at 31st December 2006 and up to the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

Details of the material disposals of the Group are set out in note 34 of the Financial Statements.

Save as disclosed above, there were no material acquisitions and disposals during the year.



PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of the Group's pledge of assets and contingent liabilities are set out in notes 29 and 31 to the financial statements respectively.

EMPLOYEES

As at 31st December 2006, the Group had a total of approximately 15 employees in its Hong Kong and Taiwan offices and approximately 1,550 workers in its processing bases in Mainland China. Employees' cost (including directors' emoluments) amounted to approximately HK\$38.7 million for the year. Besides offering competitive remuneration packages to the employees, discretionary bonuses may also be granted to the eligible employees based on the Group's and the individual's merits. Individual employees may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme which came into effect on 10th June 2003.

PROSPECTS

With the disposal of non-core business in January 2007, the Group's main business was the holding of 65% equity interest in Nority Limited, a manufacturer of athletic and athletic-style leisure footwear and golf shoes. The existing shoe business of the Group is facing severe competition and the competition is expected to remain fierce in the future. Whilst the management is considering to adjust operations to fit a new, more efficient model, resulting in the scaling down of some internal operations for footwear manufacturing, the directors of the board are expecting to explore other potential business opportunities that eventually become the new profit centres which benefit all the shareholders.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

He Xuechu

Chairman

Hong Kong, 20 April 2007