Nority International Group Limited

(incorporated in Cayman Islands with limited liability)
(Stock code: 0660)

Annual Report 2007

Contents

Corporate Information

EXECUTIVE DIRECTORS

Lam Ching Kui *(Chairman)*
Alexander Yueh *(CEO)*
Chen Wei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Shaw Lut, Leonardo
Frank Hu
Chan Chun Wai, Tony

CHIEF EXECUTIVE OFFICER

Alexander Yueh

COMPANY SECRETARY

Louisa Lam

REGISTERED OFFICE

Scotia Centre
4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 4917-4932
49/F., Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited

REGISTRAR IN HONG KONG

Union Registrars Limited
Rooms 1901-1902
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS

Kirkpatrick & Lockhart Preston Gates Ellis

Chairman's Statement and Management Discussion and Analysis

I hereby present the activities and audited results of Nority International Group Limited (the "Company) and its subsidiary (together the "Group") for the year ended 31 December 2007.

FINANCIAL PERFORMANCE

The consolidated turnover of the Group for the year was HK$68.08 million representing a decrease of 48.6% on last year's turnover of HK$132.42 million. Loss attributable to equity holders of the Company was HK$83.9 million as compared to HK$50.8 million in 2006.

The drop in turnover was a result of change in product mix and client mix compounded by intense competition. The cost of sales was inflated by rising material costs, increase in labour costs and the appreciation of the Renminbi. A combination of the foregoing had resulted in gross loss to the Group before operating expenses.

Other significant factors attributing to the loss of the year were: disposal of the Company's non-core business resulted in a loss of HK$20.5 million, provision of HK$13.8 million made against investments held-for-trading and HK$10.4 million written off against a deposit paid on the acquisition of an investment.

BUSINESS REVIEW AND PROSPECTS

Following the Company's disposal of the non-core business in January 2007, the Group's main business was the holding of 65% equity interest in Nority Limited, a manufacturer and exporter of athletic and athlete-style footwear, as well as the manufacture of working shoes, safety shoes, golf shoes and other functional footwear.

The existing business of manufacture of footwear is facing severe competition and it is envisaged that this will continue in future. Management is considering to adjust operations to fit a more efficient model resulting in the scaling down of some internal operations on footwear manufacturing.

The Directors of the Company are actively seeking and exploring potential business and investment opportunities and potential projects to broaden and strengthen the profit centres which will ultimately maximise benefit to the shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Company received proceeds amounting to approximately HK$75,555,000 on the disposal of its entire interest in Nority (BVI) and its subsidiaries. As stipulated in the terms of the disposal agreement and on the completion of the disposal, a Special Dividend of HK$0.207 per share, totalling approximately HK$55,553,000, was paid out of the proceeds of the disposal.

The net proceeds of the disposal amounting to approximately HK$20,002,000 together with the proceeds from the issue of the Convertible Note of HK$28,836,800 would be utilised as general working capital of the Company.

I, together with the Company's ultimate holding company, have undertaken to provide continuing financial support to the Company to enable the Company to continue its day-to-day operations as a viable going concern notwithstanding any present or future financial difficulties experienced by the Company.

The Directors consider that the Group will have sufficient cash resources to satisfy its future working capital and financial requirements.

EXPOSURE TO FOREIGN EXCHANGE

As at 31 December 2007, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

On 27 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$0.0538 per share.

Pursuant to the resolutions passed at the Annual General Meeting held on 25 May 2007, the entire share capital, issued and unissued, of HK$0.10 each was subdivided into 10 shares of HK$0.01 each. The share subdivision took place on 28 May 2007. The shares, previously traded in board lots of 2,000 shares, were changed to be traded in board lots of 10,000 shares.

All the issued and unissued shares rank *pari passu* with the then subdivided shares and the share subdivision would not result in any change in the relative rights of the shareholders.

MATERIAL INVESTMENTS HELD, SIGNIFICANT ACQUISITIONS AND DISPOSALS

On 6 November 2006 the Group entered into an agreement with Micon, a wholly-owned subsidiary of South China Industries Limited ("South China Industries"), to dispose of its entire interest in Nority (BVI) and its subsidiaries to Micon at a total consideration of approximately HK$75,555,000. The disposal was completed on 5 January 2007. Details of the disposal are set out in note 35 to the financial statements.

On 5 January 2007, Nority Limited, the wholly-owned subsidiary of the Company, issued and allotted shares to Micon at a cash consideration of HK$3,520,000. As a result, the Company and Micon are interested in 65% and 35% of the issued share capital of Nority Limited respectively. Details of the deemed disposal of partial investment in a subsidiary are set out in note 36 to the financial statements.

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2007 the Group had no pledge of assets and no significant contingent liabilities.

EMPLOYEES

As at 31 December 2007, the Group had a total of 10 employees in Hong Kong and approximately 956 workers in its processing bases in the PRC. Employees' costs (including directors' emoluments) amounted to approximately HK$42.408 million for the year ended 31 December 2007. In addition to the offering of competitive remuneration packages to the employees, discretionary bonuses may also be granted to eligible employees based on the Group and the individual's performance. The Company adopted an employee Share Option Scheme which came into effect on 10 June 2003.

APPRECIATION

On behalf of the Board, I would like 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.

Lam Ching Kui
Chairman

Hong Kong, 28 April 2008

Corporate Governance Report

The Board of Directors is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2007.

The Group is committed to maintain sound standard of corporate governance and recognises that this is crucial to the development of the Group and the safeguarding of the interests of the shareholders. The Group has adopted practices and applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Appendix 10 of the Listing Rules "Model Code for Securities Transactions by Directors of Listed Issuers" as rules for securities transactions initiated by the Directors of the Company. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the standards laid down in the Model Code at all times during the year ended 31 December 2007.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Company, oversees the business of the Group, make strategic decisions and monitors the performances. The Board has established committees and delegated to these committees various responsibilities set out in their terms of reference.

Composition of the Board

The Board comprises the Chairman, the Chief Executive Officer, one other Executive Director and three Independent Non-Executive Directors. The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer and the Board reckons it maintains a balanced composition of executive and independent non-executive directors.

The positions of the Chairman and Chief Executive Officer are held by Mr Lam Ching Kui and Mr Alexander Yueh respectively.

Appointment/re-election of removal of directors

The appointment of all the directors, including Independent Non-Executive Directors, is for a specific term of two years from date of appointment. The Articles of Association provide for the retirement of Directors by rotation and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting following the appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's Articles of Association. The Board is responsible for the reviewing the Board composition, monitoring the appointment of Directors and assessing the independence of the Independent Non-Executive Directors.

The Company has received from each of the current Independent Non-Executive Directors, a confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board considers that the existing Independent Non-Executive Directors are independent in accordance with the guidelines set out in rule 3.13 of the Listing Rules.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards.

The statement of the external Auditor, SHINEWING (HK) CPA Limited, in connection with their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditors' Report on pages 15 to 16 of the Annual Report.

AUDITORS' REMUNERATION

The Auditors of the Company will receive approximately HK$500,000 for audit service. Non-audit service provided by the Auditors during the year amounted to approximately HK$35,000.

REMUNERATION COMMITTEE

The Remuneration Committee was re-elected on 20 December 2007 and comprises one Executive Director and three Independent Non-Executive Directors.

The Remuneration Committee considers and recommends to the Board the Group's remuneration policy and structure and determines the remuneration packages of the Executive Directors and senior management.

The Directors are remunerated with reference to their respective duties, the Company's performance and current market situation. Their remuneration is subject to shareholders' approval at the Annual General Meeting.

INTERNAL CONTROL

The Directors acknowledge their responsibilities to ensure a sound and effective internal control system designed to facilitate efficient operations and to provide reasonable assurance in the financial reporting and compliance with applicable laws and regulations. During the Audit Committee review performed in April 2008, the Audit Committee was satisfied that the internal control system functioned effectively.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-Executive Directors namely Mr. Shaw Lut, Leonardo, Mr. Frank Hu and Mr. Chan Chun Wai, Tony. The Audit Committee held one meeting in April 2008.

The duties of the Audit Committee include the review of the independence of the Auditors, the audit plan and process and the Group's financial statements in accordance with its terms of reference which is substantially the same as the CG Code.

The Committee is satisfied with their review of the independence of the Auditors and their audit process for 2007 audit and recommended the Board their re-appointment in 2008 at the forthcoming Annual General Meeting.

The Group's results and financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee.

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiary are set out in note 45 to the financial statements. There were no significant changes in the nature of the Company's and of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 and the state of affairs of the Group at that date are set out in the financial statements on pages 17 to 65.

In January 2007, the Board declared and paid a Special Dividend of HK$0.207 per share totaling HK$55,553,000.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements is set out on page 66.

PROPERTY, PLANT, EQUIPMENT AND CONSTRUCTION-IN-PROGRESS AND INVESTMENT PROPERTIES

Details of movements in the property, plant, equipment and construction-in-progress and investment properties of the Group during the year are set out in notes 16 and 18 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity set out on page 20.

Report of the Directors

CAPITAL DEFICIENCY

At 31 December 2007, the Company's capital deficiency, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$19,957,000 (2006: Distributable reserve HK$105,736,391), after approximately HK$55,553,000 was declared and paid as Special Dividend in January 2007.

DIRECTORS

The Directors of the Company during the year and up to the date of this Annual Report are:

Executive Directors:

Mr. Lam Ching Kui *(Chairman)*	(appointed on 20 December 2007)
Mr. Alexander Yueh *(CEO)*	(appointed on 20 July 2007)
Mr. Chen Wei	(appointed on 4 October 2007)
Ms. Liu Qing	(appointed on 4 September 2007 and resigned on 13 December 2007)
Mr. Luo Lai Wu	(appointed on 24 April 2007 and resigned on 20 July 2007)
Mr. He Xuechu	(appointed on 3 February 2007 and resigned on 20 December 2007)
Ms. Yue Qian	(appointed on 4 April 2007 and resigned on 17 December 2007)
Mr. Guo Bo	(appointed on 3 February 2007 and resigned on 17 December 2007)
Ms. Cheung Choi Ngor	(appointed on 2 May 2006 and resigned on 3 February 2007)
Mr. Richard Howard Gorges	(appointed on 2 May 2006 and resigned on 3 February 2007)
Mr. Ng Yuk Fung, Peter	(appointed on 2 May 2006 and resigned on 3 February 2007)
Ms. Cheung Lai Lin, Pealin	(appointed on 2 May 2006 and resigned on 3 February 2007)

Independent Non-executive Directors:

Mr. Shaw Lut, Leonardo	(appointed on 3 February 2007)
Mr. Frank Hu	(appointed on 25 May 2007)
Mr. Chan Chun Wai, Tony	(appointed on 25 May 2007)
Dr. Lu Yungang	(appointed on 3 February 2007 and resigned on 25 May 2007)
Mr. Lee Cheuk Yin, Dannis	(appointed on 3 February 2007 and resigned on 25 May 2007)
Mr. Chiu Sin Chun	(appointed on 2 May 2006 and resigned on 3 February 2007)
Ms. Wong Siu Yin, Elizabeth	(appointed on 2 May 2006 and resigned on 3 February 2007)
Ms. Li Yuen Au, Alice	(appointed on 2 May 2006 and resigned on 3 February 2007)

In accordance with Article 91 of the Articles of Association of the Company, Mr. Lam Ching Kui, Mr Alexander Yueh, Mr. Chen Wei, Mr. Frank Hu and Mr. Chan Chun Wai, Tony will retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for reelection.

The Independent Non-executive Directors have fixed term of office and will be subject to retirement by rotation and re-election at the forthcoming Annual General Meeting of the Company according to the Articles of Association of the Company.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the current Independent Non-executive Directors, Mr. Shaw Lut, Leonardo, Mr, Frank Hu and Mr. Chan Chun Wai, Tony, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2007. The Company considers that all the Independent Non-Executive Directors are independent.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Executive Directors:

Mr. Lam Ching Kui, aged 49, has over 15 years of experience in project investments and securities investments. Mr Lam has been engaged in industrial and residential property development in the PRC and commercial property investment in Hong Kong. He has made investments in listed securities and renewable energy. Mr Lam will be responsible for the overall strategic planning of the Group.

Mr. Alexander Yueh, aged 38, graduated from Department of International Business Management of University of International Business and Economics, Beijing in 1988 and emmigrated to United Kingdom. Mr. Yueh established Trans Shipping Ltd.(創世船運有限公司), and was the Managing Director from 2004 to 2007. Trans Shipping mainly engaged in the shipping of iron ore. Concurrently Mr. Yueh was the Chairman and founder of Ngok Ltd.(海尚有限公司), which engaged in investment business.

Mr. Chen Wei, aged 48, graduated from the Department of Computer Science of Nanjing University of Science & Technology. From July 1983 to March 1987, Mr Chen worked in the Bureau of Science and Technology of the Ministry of Geological and Mineral of the Perople's Republic of China. From March 1987 to August 2007, Mr Chen worked in the China National Metals and Minerals Import and Export Corporation and was appointed General Manager of Minmetals North-Europe AB and the Assistant General Manager of China Minmetals Non-Ferrous Metals Company Limited. Mr. Chen is an expert in the trading in mineral and metal and has accumulated vast experience in mineral resource research and investment.

Independent Non-executive Directors:

Mr. Shaw Lut, Leonardo, aged 41, is the deputy head of華頓綜合經濟研究所 (Huadun Economic Institute), the director of 行政及公務人員研修基金 (Administrator and Official Study Fund), the vice director of 國務院發展研究中心東方公共管理綜合研究所專家委員會 (the Expert Committee of the Eastern Public Management Institute of the Development Research Centre of State Council). Mr. Shaw graduated from Shanghai Fudan University and was a teacher and researcher at Fudan University. Mr. Shaw is currently a committee member of All-China Youth Federation, the deputy chairman of Beijing United Youth Association and the deputy chairman of Internet Professional Association, Hong Kong.

Mr. Frank Hu, aged 45, is a seasoned banker and businessman with over 20 years of experience. He holds a bachelor degree in politics from New York University. Mr. Hu is now the independent non-executive director of Lifetec Group Limited, whose shares are listed on the Stock Exchange. Save as disclosed above, Mr. Hu does not hold any directorships in any other listed public companies currently or in the last three years.

Mr. Chan Chun Wai, Tony, aged 35, is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He is a director in a CPA practice. He has extensive experience in audit assurance and business advisory services with clients operating in a variety of industries in both Hong Kong and the PRC. Moreover, Mr. Chan also has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisition as well as corporate finance. Before commencing his own practice, Mr. Chan has worked in major international accounting firms and a listed company. Mr. Chan is an independent non-executive director of Hans Energy Company Limited and Honbridge Holdings Limited, whose shares are listed on the Stock Exchange.

Report of the Directors

Senior Management:

Ms. Louisa Lam, aged 54, is the Chief Financial Officer and Company Secretary of the Company. Ms. Lam has been a qualified Chartered Accountant with the Institute of Chartered Accountants, England and Wales since 1983. After returning to Hong Kong in 1984, Ms Lam worked for a major public accounting firm in Hong Kong gaining extensive knowlege in auditing a wide spectrum of industries during 1984 to 1989. In 1989, she joined a licensed bank (the "Bank") in Hong Kong as Head of Financial Accounting Department. The Bank was listed on the Stock Exchange of Hong Kong in 1993. Ms. Lam was also the Head of Operations and Branch Operations of the Bank from 1999 to 2002. She left the Bank in 2004 and joined a major public accounting firm in Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' SERVICE CONTRACTS

All Directors (including Independent Non-Executive Directors) have entered into service contracts with the Company for a term of 2 years commencing from their date of appointment.

As at 31 December 2007, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

Details of emoluments of the Directors are set out in Note 12 to the financial statements.

All the current Independent Non-Executive Directors i.e. Mr. Shaw Lut, Leonardo, Mr. Frank Hu and Mr. Chan Chun Wai, Tony are entitled to HK$120,000 per annum as directors' fee (without any bonus payment).

The Directors' fees are subject to shareholders' approval at the Annual General Meeting. Other emoluments are determined by the Company's Board of Directors with reference to the directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had interests in the competing business of the Company or its subsidiary.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2007, the interests and short positions of the Directors of the Company in the shares and underlying shares of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), are as follows:

Name of director	Capacity	Number of shares held	Approximate percentage of shareholding
Lam Ching Kui	Interests of controlled corporations	2,012,513,400	74.99%

Mr. Lam Ching Kui is the beneficial owner of Chinese Success Limited, the major shareholder holding 74.99% of the issued share capital of the Company.

The interests disclosed above represent long positions.

Save as disclosed above, as at 31 December 2007, none of the Directors of the Company had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2007, other than the interests and short positions of the Directors of the Company, the following persons had the following interests and short positions in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Chinese Success Limited	Beneficial owner	2,012,513,400	74.99%
Wai Chun Investment Fund	Interests of controlled Corporations	2,012,513,400	74.99%

All interests disclosed above represent long positions.

Save as disclosed above, as at 31 December 2007, the Company had not been notified by any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiary, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SHARE OPTION SCHEME

The Share Option Scheme ("Scheme") of the Company was adopted by the shareholders on 10 June 2003 to comply with the requirements of Chapter 17 of the Listing Rules.

Under the terms of the Scheme, the Directors of the Company may, at their discretion, invite full-time employees of the Group, including Directors of the Company and its subsidiary, and any suppliers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for shares.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) at any time under the Scheme shall not, when aggregated with any shares subject to any other schemes involving the issue or grant of option over shares by the Company to, or for the benefit of eligible participants, exceed such number of shares as shall represent 10% of the issued share capital of the Company as at the adoption date.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each eligible participant must not exceed 1% of the shares in issue unless such grant is approved by the shareholders in a general meeting.

The subscription price for the shares shall be determined by the Directors at their discretion provided that it shall not be less than the higher of:

(a) the closing price of the shares as stated in Stock Exchange's daily quotations sheet on the date of offer;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and

(c) the nominal value of the shares on the date of offer.

On 15 March 2007, 26,800,000 share options were granted to three Directors of the Company in respect of their future service to be provided to the Group. The price of the Company's share at the date of grant was HK$2.36. Following the resignation of these three Directors in December 2007, the share options granted to them were cancelled on their respective date of resignation in December 2007. No options have been exercised by these three directors since the date of grant up to the date of cancellation.

Except for the 26,800,000 share options as mentioned above, no other share options have been granted by the Company under the Scheme.

Approximately HK$17,857,000 of employee benefit expense has been included in the consolidated income statement for 2007 (2006: Nil), the corresponding amount of which has been credited to share option reserve. No liabilities were recognised on the equity-settled payment transactions. When the share options were subsequently cancelled in December 2007, the amount previously recognised in share option reserve was transferred to accumulated losses.

SUFFICIENCY OF PUBLIC FLOAT

The trading of shares of the Company was resumed on 9 March 2007 after placement of 54,700,000 existing shares to the public by Chinese Success Limited. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required under the Listing Rules as at the date of this Annual Report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 44 to the financial statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of the compliance by the Company with the Code on Corporate Governance Practices are set out under section headed the Corporate Governance Report on pages 5 and 6 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by the Company with the Model Code for Securities Transactions are set out under section headed the Corporate Governance Report on page 5 of this Annual Report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions:

(a) On 6 November 2006, the Company entered into the Disposal Agreement with Micon and South China Industries to dispose of the Nority (BVI) Sale Shares and Nority (BVI) Sale Loan to Micon at a total consideration of HK$75,555,000. The disposal was completed on 7 January 2008.

(b) On 6 November 2006, the Company, Micon and Nority Limited ("Nority") entered into the Nority Subscription Agreement pursuant to which the Subscription Shares were allotted and issued to Micon at a consideration of HK$3,520,000 (the "Subscription") and upon completion of the Subscription, Nority was converted from a whollyowned subsidiary to a non-wholly-owned subsidiary of the Company, in which the Company and Micon were interested in 65% and 35% of the issued A Shares respectively.

Details of the above are set out in Notes 35 and 36 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2007, the sales to the Group's five largest customers accounted for 85% of the total sales and sales to the largest customers included therein amounted to 37%. Purchases from the Group's five largest suppliers accounted for less than 42% of the total purchases for the year.

None of the Directors of the Company or any of their associates or any shareholders (which to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers.

Report of the Directors

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Shaw Lut, Leonardo, Mr. Frank Hu and Mr. Chan Chun Wai, Tony. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, the independence of Auditors and the Group's financial statements and system of internal control in accordance with its terms of reference, which is substantially the same as the CG Code.

The Committee is satisfied with their review of the audit fees and the independence of the Auditors and recommended to the Board the re-appointment of Auditors for 2008 at the forthcoming Annual General Meeting.

The Group's annual results for the year ended 31 December 2007 have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2007, neither the Company nor its subsidiary purchased, sold or redeemed any of the listed securities of the Company.

AUDITORS

The consolidated financial statements for the year have been audited by Messrs. SHINEWING (HK) CPA Limited. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On Behalf Of The Board

Lam Ching Kui
Chairman

Hong Kong, 28 April 2008

Independent Auditor's Report

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF NORITY INTERNATIONAL GROUP LIMITED
耐力國際集團有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Nority International Group Limited (the "Company") and its subsidiary (collectively referred as the "Group") set out on pages 17 to 65, which comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's loss and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group had capital deficiency of approximately HK9,679,000 as at 31 December 2007. The Group had incurred loss attributable to equity holders of the Company for the year ended 31 December 2007 amounted to approximately HK$83,877,000. As described in Note 2 to the consolidated financial statements, the ultimate holding company and the director of the Company have provided continuing financial support to enhance the Group's existing business operations and future investment and business venture opportunities.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practicing Certificate Number: P03224

Hong Kong
28 April 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	8	68,080	132,418
Cost of sales		(89,844)	(150,471)
Gross loss		(21,764)	(18,053)
Other revenue	8	5,752	3,763
Selling expenses		(5,893)	(13,328)
Administrative expenses		(37,317)	(24,103)
Loss on disposal of subsidiaries	35	(20,460)	–
Gain on deemed disposal of partial investment in a subsidiary	36	4,471	–
Gain on disposal of held-for-trading investments		7,362	1
Decrease in fair value of held-for-trading investments		(13,817)	(406)
Impairment loss recognised on deposit paid for an investment in a subsidiary	24	(10,400)	–
Reversal of impairment loss on freehold land and buildings in Taiwan		–	7,904
Finance costs	9	(2,667)	(46)
Loss before taxation	10	(94,733)	(44,268)
Taxation	13	–	(9,645)
Loss for the year		(94,733)	(53,913)
Attributable to:			
Equity holders of the Company		(83,877)	(50,791)
Minority interests		(10,856)	(3,122)
		(94,733)	(53,913)
Dividends	14	–	–
Special dividends	14	55,553	–
Loss per share – basic	15	HK(3.13) cents	HK(1.89) cents

Consolidated Balance Sheet

As at 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	16	18,133	20,567
Prepaid lease payments	17	–	3,018
Investment properties	18	–	–
Golf club debenture	19	246	246
Loans and receivables	20	–	–
		18,379	23,831
Current assets			
Inventories	21	9,419	28,916
Trade and bills receivables	22	3,699	13,609
Deposits, prepayments and other receivables		3,312	1,378
Prepaid lease payments	17	–	101
Held-for-trading investments	23	28,841	–
Bank balances and cash	25	6,577	4,685
		51,848	48,689
Assets classified as held for sale	26	–	74,176
		51,848	122,865
Current liabilities			
Trade and bills payables	27	22,172	25,568
Accruals and other payables		15,406	11,957
Tax payable		1,006	1,006
Retirement benefit obligations	28	–	2,998
Amount due to a related company	29	703	–
Amount due to a former intermediate holding company	29	–	10,000
		39,287	51,529
Liabilities associated with assets classified as held for sale	26	–	1,500
		39,287	53,029
Net current assets		12,561	69,836
Total assets less current liabilities		30,940	93,667

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	33	26,837	26,837
Reserves		(36,516)	65,039
(Capital deficiency)/equity attributable to equity holders of the Company		(9,679)	91,876
Minority interests		(14,095)	1,791
Total (capital deficiency)/equity		(23,774)	93,667
Non-current liabilities			
Amount due to a minority shareholder of a subsidiary	30	19,829	–
Amount due to ultimate holding company	31	8,549	–
Convertible loan note	32	26,336	–
		54,714	–
		30,940	93,667

The consolidated financial statements on pages 17 to 65 were approved and authorised for issue by the Board of Directors on 28 April 2008 and are signed on its behalf by:-

Lam Ching Kui
Director

Alexander Yueh
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note 43)	Working capital reserve HK$'000	Convertible note reserve HK$ '000	Share option reserve HK$ '000	Exchange translation reserve HK$'000	Accumulated Profits/ (losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	26,837	48,079	–	1,275	–	–	(9,468)	75,220	141,943	7,413	149,356
Exchange difference arising on translation of financial statements of foreign companies of the Group	–	–	–	–	–	–	724	–	724	–	724
Loss for the year	–	–	–	–	–	–	–	(50,791)	(50,791)	(3,122)	(53,913)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(2,500)	(2,500)
At 31 December 2006 and 1 January 2007	26,837	48,079	–	1,275	–	–	(8,744)	24,429	91,876	1,791	93,667
Loss for the year	–	–	–	–	–	–	–	(83,877)	(83,877)	(10,856)	(94,733)
Special dividends paid	–	–	–	–	–	–	–	(55,553)	(55,553)	–	(55,553)
Disposal of subsidiaries	–	–	–	(1,275)	–	–	8,744	1,275	8,744	(1,791)	6,953
Deemed disposal of partial investment in a subsidiary	–	–	–	–	–	–	–	–	–	(4,471)	(4,471)
Increase in minority interest due to placing and subscription of shares of a subsidiary	–	–	2,288	–	–	–	–	–	2,288	1,232	3,520
Recognition of equity component of convertible loan note	–	–	–	–	4,368	–	–	–	4,368	–	4,368
Recognition of equity-settled share based payments	–	–	–	–	–	17,857	–	–	17,857	–	17,857
Cancellation of share options previously granted	–	–	–	–	–	(17,857)	–	17,857	–	–	–
Deemed conribution from a minority shareholder of a subsidiary	–	–	2,767	–	–	–	–	–	2,767	–	2,767
Deemed contribution from an equity holder of the Company	–	–	1,851	–	–	–	–	–	1,851	–	1,851
At 31 December 2007	26,837	48,079	6,906	–	4,368	–	–	(95,869)	(9,679)	(14,095)	(23,774)

Consolidated Cash Flow Statement

Year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Operating activities		
Loss before taxation	(94,733)	(44,268)
Adjustments for:–		
Finance costs	2,667	46
Interest income	(1,042)	(269)
Decrease in fair value of investment properties	–	685
Depreciation on property, plant and equipment	7,870	11,277
Amortisation of prepaid lease payments on land use rights	17	326
(Gain)/loss on disposal of/written off of property, plant and equipment	(1,458)	2,414
Impairment loss recognised on loans and receivables	–	711
Allowance for inventories	5,351	7,750
Allowance for/(recovery of) bad and doubtful debts	651	(954)
Gain on deemed disposal of partial investment in a subsidiary (Note 36)	(4,471)	–
Loss on disposal of subsidiaries (Note 35)	20,460	–
Gain on disposal of prepaid lease payments	(1,965)	–
Share-based payments	17,857	–
Gain on disposal of available-for-sale investments	–	(41)
Gain on disposal of held for trading investment	(7,362)	(1)
Decrease in fair value of held-for-trading investments	13,817	406
Impairment loss recognised on deposit paid for an investment in a subsidiary	10,400	–
Impairment loss recognised on available-for-sale investments	–	751
Reversal of impairment loss on freehold land and buildings in Taiwan	–	(7,904)
Operating cash flows before movements in working capital	(31,941)	(29,071)
Decrease in inventories	14,146	3,617
Decrease in trade and bills receivables	9,259	29,096
(Increase)/decrease in deposits, prepayments and other receivables	(1,934)	969
Decrease in trade and bills payables	(3,396)	(16,275)
Increase/(decrease) in accruals and other payables	3,449	(8,764)
Decrease in retirement benefit obligations	(2,998)	(3,633)
Increase in amount due to a related company	703	–
Net cash used in operations	(12,712)	(24,061)
Hong Kong Profits Tax paid	–	409
Net cash used in operating activities	(12,712)	(23,652)

Consolidated Cash Flow Statement

Year ended 31 December 2007

	2007	2006
	HK$'000	HK$'000
Investing activities		
Refund from loans and receivables	–	980
Sales proceeds from disposal of available-for-sale of investments	–	640
Proceeds from disposal of subsidiaries (Note 35)	74,269	–
Proceeds from disposal of prepaid lease payments	5,067	–
Proceeds from held-for-trading investments	54,711	–
Purchase of held-for-trading investments	(90,007)	–
Purchase of property, plant and equipment	(7,673)	(3,766)
Sales proceeds from disposal of property, plant and equipment	3,695	950
Sales proceeds from disposal of financial assets at fair value through profit or loss	–	1
Decrease in frozen bank balances	–	1,049
Interest received	1,042	251
Net cash from investing activities	41,104	105
Financing activities		
Interest paid	(800)	(46)
Convertible loan raised	28,837	–
(Repayment to)/advance from a former intermediate holding company	(10,000)	10,000
Advance from a minority shareholder of a subsidiary	11,016	–
Special dividend paid	(55,553)	–
Dividends paid to minority shareholders	–	(2,500)
Net cash (used in)/from financing activities	(26,500)	7,454
Net increase/(decrease) in cash and cash equivalents	1,892	(16,093)
Cash and cash equivalents at beginning of the year	4,685	20,846
Effect of changes in exchange rate	–	(68)
Cash and cash equivalents at end of the year, represented by bank balances and cash	6,577	4,685

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 (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group is principally engaged in the manufacture and export of athletic, athletic-style leisure footwear and golf shoes.

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

2. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

Notwithstanding that the Group incurred loss attributable to equity holders of the Company of approximately HK$83,877,000 for the year ended 31 December 2007 and had capital deficiency of approximately HK$9,679,000 as at 31 December 2007, these consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following arrangements which include, but are not limited to, the followings:

(i) The Company is in process of exploring income generating investments and business venture opportunities;

(ii) The HK$20 million credit facility available to the subsidiary of the Company is guaranteed by the ultimate holding company of the minority shareholder of the subsidiary. At the balance sheet date, the unutilised amount of this credit facility amounted to approximately HK$8,286,000;

(iii) Mr. Lam Ching Kui, a director and the Chairman of the Company, has undertaken to the Company to provide continuing financial support to the Company so as to enable the Company to continue its day-to-day operations as a viable going concern notwithstanding any present or future financial difficulties experienced by the Company;

(iv) As at the date of this report, Wai Chun has provided HK$38,000,000 to the Company and has also undertaken to provide continuing financial support to the Company to enable the Company to meet in full all its financial obligations as they fall due in the foreseeable future. The amount is unsecured, interest free and will not be repayable until 28 April 2009.

The directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are effective for accounting periods beginning on or after 1 January 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Interpretation ("Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective as at 31 December 2007. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payments – Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 March 2007.
[4] Effective for annual periods beginning on or after 1 January 2008.
[5] Effective for annual periods beginning on or after 1 July 2008.

4. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

4. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Subcontracting fee income is recognised upon the delivery of goods to the customers.

Management income is recognised when management services have been provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Construction-in-progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction-in-progress is carried at cost less any recognised impairment loss. Construction-in-progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of other items of property, plant and equipment, other than construction-in-progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Useful lives and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Club debentures

Club debentures are stated at cost less any impairment losses. Cost included fees and expenses directly related to the acquisition of club debentures.

Leasing

The Group as lessee
Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and buildings
The land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements, and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method and are arrived at as follows:

(i) Raw materials purchased for use in manufacturing process-invoiced price plus freight and insurance charges.

(ii) Work-in-progress and finished manufactured goods-cost of direct materials and an appropriate proportion of direct labour and production overheads including depreciation.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss has two subcategories, including financial assets held-for-trading and those designated at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking: or

– it is a derivative that is not designated and effective as a hedging instrument.

4. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables and deposits and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss and loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balances sheet date subsequent to initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average of credit period of 30 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit and loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit and loss.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities other than convertible loan note (see accounting policy below) including trade and bills payables, accruals and other payables, and amounts due to related companies/ultimate holding company/a former intermediate holding company, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible loan notes

Convertible loan notes issued by the Company that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instruments.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible note reserve).

4. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration pay and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of shares options granted at the grant date is recognized in full at the grant date when the share options granted vested immediately, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

4. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as expense immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Depreciation of property, plant and equipment

The Group's net carrying values of property, plant and equipment as at 31 December 2007 was approximately HK$18,133,000. The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the rate of 2.5% to 50% per annum, commencing from the date the property, plant and equipment when they are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

Estimated allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisable of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowance may be required.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Estimated allowance for inventories

The management of the Group reviews an ageing analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow-moving items.

Impairment of deposit paid for an investment in a subsidiary

As detailed in Note 24, the Company and Wai Chun had entered into a letter of intent with independent third parties for the acquisition of a subsidiary in Santiago of Chile and Wai Chun had paid US$1.33 million (equivalent to approximately HK$10,400,000) as deposit on behalf of the Company. The negotiations were subsequently terminated and Wai Chun is still taking steps to recover the deposit from the counterparties. Determining whether the deposit paid is impaired requires an estimation of the recoverability of the deposit. The directors of the Company consider that the recoverable amount of the deposit paid is less than its carrying value and an impairment loss in the amount equal to the entire balance of the deposit paid should be recognised in the consolidated financial statements for the year.

Impairment of property, plant and equipment

The impairment loss for property, plant and equipment is recognised for the amounts by which the carrying amounts exceed its recoverable amount, in accordance with the Group's accounting policy. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The Group has assessed and reviewed annually for impairment loss whenever events or change in circumstances indicate that the carrying amount may not recoverable. No impairment was provided during the year.

6. CAPITAL RISK MANGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes convertible loan note as disclosed in Note 32, and cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instrument to raise finance for the Group's operations is the convertible loan note. The Group has various other financial instruments such as trade and bills receivables, deposits and other receivables, trade and bills payables, accruals and other payables and amounts due to a related company/ultimate holding company/a minority shareholder of a subsidiary/a former intermediate holding company, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, currency risk, interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables and bank balances. At the respective balance sheet dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are bank with high credit ratings assigned by international credit-rating agencies.

Currency risk

A subsidiary of the Company has foreign currency sales and purchases, which expose the Group to foreign currency risk. 100% of the Group's sales are denominated in currencies other than the functional currency, whilst almost 57% of costs are denominated in the group entity's functional currency.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
United States dollars ("USD")	8,323	8,304	3,721	16,641
Renminbi ("RMB")	300	132	534	287
Taiwan New dollars ("TND")	2	–	–	–
	8,625	8,436	4,255	16,928

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to RMB. Since HK$ is directly linked to the value of USD, risk exposed to the Group in this respect will not be significant. The directors of the Company consider that the risk exposed to TND is not material.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. A positive number below indicates a decrease in loss where HK$ weakening 5% against RMB. For a 5% strengthen of HK$ against RMB, there would be an equal and opposite impact on the profit and loss, and the balances below would be negative.

	2007	2006
	HK$'000	HK$'000
Profit and loss	12	8

The Group's sensitivity to RMB has increased during the current year mainly due to the increase in RMB denominated cash balance as at 31 December 2007.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bills payables which carry at prevailing market interest rates. The Group's exposure to cash flow interest rate risk is minimal.

The Group is exposed to fair value interest rate risk in relation to fixed-rate convertible loan notes. The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower:

– loss for the year ended 31 December 2007 decrease/increase by approximately HK$1,442,000 (2006: Nil) as a result of the changes in fair value of held-for-trading investments.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of convertible loan and bank facilities and ensures compliance with loan covenants.

The Group relies on bank facilities as a significant source of liquidity. As at 31 December 2007, the Group available unutilised short-term credit facilities of approximately RMB8,286,000 (2006: 7,897,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity and interest risk tables

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

	Weighted average effective interest rate	0 to 180 days	181 to 365 days	Over 1 year	Total undiscounted cash flow	Carrying value at 31/12/2007
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007						
Non-derivative financial liabilities						
Trade and bills payables		22,172	–	–	22,172	22,172
Accruals and other payable		15,406	–	–	15,406	15,406
Amount due to a related company		703	–	–	703	703
Amount due to a former intermediate holding company	6.75	–	–	22,596	22,596	19,829
Amount due to ultimate holding company	6.75	–	–	10,400	10,400	8,549
Convertible loan note	12.57	288	288	29,269	29,845	26,336
		38,569	288	62,265	101,122	92,995
2006						
Non-derivative financial liabilities						
Trade and bills payables		25,568	–	–	25,568	25,568
Other payables and accruals		11,957	–	–	11,957	11,957
Amount due to a former immediate holding company		10,000	–	–	10,000	10,000
		47,525	–	–	47,525	47,525

Fair value

The fair value of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term maturity.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Categories of financial instruments

	2007 HK$'000	2006 HK$'000
Financial assets		
Held-for-trading investments	28,841	–
Loans and receivables (including cash and cash equivalents)	13,588	19,672
Financial liabilities		
Other financial liabilities at amortised cost	92,995	47,525

8. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

Turnover and other revenue

Turnover represents the amounts received and receivable for goods sold net of discounts, returns and sales related taxes. An analysis of the Group's turnover and other revenue for the year is as follows:

	2007 HK$'000	2006 HK$'000
Turnover-sales of goods	68,080	132,418
Other revenue		
Interest income	1,042	269
Subcontracting fee income	525	513
Management income	94	447
Gain on disposal of property, plant and equipment	1,458	–
Gain on disposal of prepaid lease payments	1,965	–
Gain on disposal of available for sale investments	–	41
Sales of scrap materials	–	1,738
Dividend income	–	3
Others	668	752
	5,752	3,763

8. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (cont'd)

Segment information

During the two years ended 31 December 2007 and 2006, the Group was principally engaged in the manufacture and export of athletic, athletic-style leisure footwear and golf shoes. The directors consider that the Group operates within a single business segment. Accordingly, no business segmental information is prepared by the Group.

An analysis of the Group's turnover and results by geographical market is as follows:–

For the years ended 31 December:

	North America		Europe		Other countries		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	36,401	62,868	13,173	46,409	18,506	23,141	68,080	132,418
Results								
Segment results	(12,814)	(11,497)	(3,633)	(13,100)	(11,210)	(6,784)	(27,657)	(31,381)
Unallocated revenue							5,752	3,763
Unallocated expenses							(37,317)	(24,103)
Loss on disposal of subsidiaries							(20,460)	–
Gain on deemed disposal of partial investment in a subsidiary							4,471	–
Decrease in fair value of held-for-trading investments							(13,817)	(406)
Gain on disposal of held-for-trading investment							7,362	1
Impairment loss on deposit of an investment							(10,400)	–
Reversal of impairment loss on freehold land and buildings in Taiwan							–	7,904
Finance costs							(2,667)	(46)
Loss before taxation							(94,733)	(44,268)
Taxation							–	(9,645)
Loss for the year							(94,733)	(53,913)

8. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (cont'd)

Segment information (cont'd)

Other Segment information

The following tables show the other information of the Group by geographical area in which the assets are located.

For the years ended 31st December:

	Mainland China and Hong Kong		Taiwan		Total	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditure	7,673	3,748	–	18	7,673	3,766
Amortisation of prepaid lease payments on land use rights	17	326	–	–	17	326
Depreciation on property, plant and equipment	7,870	11,160	–	117	7,870	11,277
Reversal of Impairment loss on freehold land and buildings in Taiwan	–	–	–	(7,904)	–	(7,904)
Decrease in fair value of investment properties	–	–	–	685	–	685
Allowance for/(recovery of) bad and doubtful debts	651	(954)	–	–	651	(954)
Allowance for inventories	5,351	7,740	–	10	5,351	7,750
Impairment loss recognised on available-for-sale investments	–	–	–	751	–	751
Impairment loss recognised on held-for-trading investments	13,817	–	–	406	13,817	406
Impairment loss recognised on deposit paid for an investment	10,400	–	–	–	10,400	–
Gain on disposal of held-for-trading investments	(7,362)	–	–	(1)	(7,362)	(1)
Impairment loss recognised on loans and receivables	–	–	–	711	–	711
(Gain)/loss on disposal/written off of property, plant and equipment	(1,458)	2,594	–	(180)	(1,458)	2,414
Gain on disposal/written off of prepaid lease payments	(1,965)	–	–	–	(1,965)	–
Gain on disposal of available-for-sale investments	–	–	–	(41)	–	(41)

There were no sales between the geographical segments during the two years ended 31 December 2007 and 2006.

8. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (cont'd)

Segment information (cont'd)

Other Segment information (cont'd)

	The PRC and Hong Kong		Taiwan		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	70,227	122,839	–	23,857	70,227	146,696
Total liabilities	94,001	52,843	–	186	94,001	53,029

9. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	360	46
Effective interest expenses on convertible loan note (Note 32)	2,307	–
	2,667	46

10. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):–

	2007 HK$'000	2006 HK$'000
Auditors' remuneration	500	649
Cost of inventories recognised as an expenses (excluding staff costs and depreciation on property, plant and equipment)	63,019	111,338
Staff costs, including directors' emoluments and retirement benefit costs (Notes 11 & 12)	42,408	38,653
Net exchange loss	504	879
Amortisation of prepaid lease payment on land use rights	17	326
Depreciation on property, plant and equipment	7,870	11,277
Allowance for/(recovery of) bad and doubtful debts	651	(954)
(Gain)/loss on disposal/written off of property, plant and equipment	(1,458)	2,414
Decrease in fair value of held-for-trading investments	13,817	406
Impairment loss recognised on deposit paid for an investment in a subsidiary (Note 24)	10,400	–
Impairment loss recognised on available-for-sale investments	–	751
Allowance for inventories	5,351	7,750
Gain on disposal of held-for-trading investments	(7,362)	(1)
Gain on disposal of prepaid lease payments	(1,965)	–
Gain on disposal of available-for-sale investments	–	(41)
Reversal of impairment loss on freehold land and buildings in Taiwan	–	(7,904)
Decrease in fair value of investment properties	–	685

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000
Wages and salaries	21,793	37,003
Unutilised annual leave	–	20
Termination benefits	–	158
Retirement benefit costs		
– defined contribution retirement plans (Note 28)	852	1,510
– defined benefit retirement plan	–	(1,652)
Share-based payments	17,857	–
Other employee benefits	1,906	1,614
	42,408	38,653

Included in staff costs were the costs related to the employees of the relevant factories which provide sub-contracting services to the Group as the Group has undertaken to bear all the costs related to their employment.

12. DIRECTORS' AND EMPLOYEES' EMOULMENTS

(a) The aggregate amounts of emoluments payable to directors of the Company during the year were as follows:-

	2007 HK$'000	2006 HK$'000
Fees	330	355
Other emoluments:-		
Basic salaries, other allowance and benefits in kind	1,349	743
Retirement benefit costs		
– defined contribution retirement plans	11	11
– defined benefit retirement plan	–	35
Share-based payments	17,857	–
	19,217	789
Total emoluments	19,547	1,144

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (cont'd)

(b) Directors' emoluments

The emoluments paid or payable to each of the twenty (2006: fourteen) directors were as follows:

		Other emoluments				
	Directors' fees HK$'000	Basic salaries, other allowance and benefits in kind HK$'000	Defined contribution retirement plans HK$'000	Defined benefit retirement plans HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive						
Lam Ching Kui [1]	–	77	1	–	–	78
Alexander Yueh [2]	–	586	6	–	–	592
Chan Wei [3]	–	187	–	–	–	187
He Xue Chu [4]	–	–	–	–	7,197	7,197
Gou Bo [5]	–	–	–	–	5,330	5,330
Yue Qian [6]	–	–	–	–	5,330	5,330
Luo Lai Wu [7]	–	207	–	–	–	207
Liu Qing [8]	–	292	4	–	–	296
Cheung Choi Ngor [9]	–	–	–	–	–	–
Richard Howard Gorges [9]	–	–	–	–	–	–
Ng Yuk Fung, Peter [9]	–	–	–	–	–	–
Cheung Lai Lin, Pealin [9]	–	–	–	–	–	–
Independent Non-Executive						
Lu Yungang [10]	38	–	–	–	–	38
Lee Cheuk Yin, Dannis [10]	38	–	–	–	–	38
Shaw Lut, Leonardo [11]	110	–	–	–	–	110
Chan Chun Wai, Tony [12]	72	–	–	–	–	72
Frank Hu [12]	72	–	–	–	–	72
Chiu Sin Chun [9]	–	–	–	–	–	–
Wong Siu Yin, Elizabeth [9]	–	–	–	–	–	–
Li Yuen Au, Alice [9]	–	–	–	–	–	–
Total for 2007	330	1,349	11	–	17,857	19,547

1 Appointed on 20 December 2007
2 Appointed on 20 July 2007
3 Appointed on 5 October 2007
4 Appointed on 3 February 2007 and resigned on 20 December 2007
5 Appointed on 3 February 2007 and resigned on 17 December 2007
6 Appointed on 4 April 2007 and resigned on 17 December 2007
7 Appointed on 24 April 2007 and resigned on 20 July 2007
8 Appointed on 4 September 2007 and resigned on 13 December 2007
9 Resigned on 3 February 2007
10 Appointed on 3 February 2007 and resigned on 25 May 2007
11 Appointed on 3 February 2007
12 Appointed on 25 May 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (cont'd)

(b) Directors' emoluments (cont'd)

		Other emoluments			
	Directors' fees HK$'000	Basic salaries, other allowance and benefits in kind HK$'000	Defined contribution retirement plans HK$'000	Defined benefit retirement plans HK$'000	Total emoluments HK$'000
Executive					
Cheung Choi Ngor	7	–	–	–	7
Richard Howard Gorges	7	–	–	–	7
Ng Yuk Fung, Peter	7	–	–	–	7
Cheung Lai Lin, Pealin	7	–	–	–	7
Feng Yung Chuan	24	–	2	–	26
Kuo Shu Chen	24	100	1	12	137
Wu Xiaoqin	24	90	1	–	115
Feng Shen Chuan	24	553	2	23	602
Independent Non-Executive					
Chiu Sin Chun	33	–	–	–	33
Li Yuen Au, Alice	33	–	–	–	33
Wong Siu Yin, Elizabeth	33	–	–	–	33
Au Wing Kit	48	–	–	–	48
Eugenia Yang	24	–	1	–	25
Lo Kowk Kwei, David	60	–	4	–	64
Total for 2006	355	743	11	35	1,144

No director waived or agreed to waive any emoluments during the two years ended 31 December 2007 and 2006.

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(c) During the year, of the five highest paid individuals in the Group, four (2006: one) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2006: four) highest paid individual were as follows:-

	2007 HK$'000	2006 HK$'000
Basic salaries, other allowance and benefits in kind	533	870
Retirement benefit costs		
– defined contribution retirement plans	6	23
	539	893

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (cont'd)

The emoluments of the aforementioned one (2006: four) highest paid individual were within the band of Nil to HK$1,000,000 for both years.

No emoluments were paid to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 December 2007 and 2006.

13. TAXATION

	2007 HK$'000	2006 HK$'000
Hong Kong Profits Tax		
– over-provision in previous years	–	(1,011)
Deferred tax (Note 34)		
– relating to origination and reversal of temporary differences	–	10,656
Taxation for the year	–	9,645

No Hong Kong Profits Tax have been provided in the consolidated financial statements for both years as the Group has no assessable profits in Hong Kong for both years.

No PRC Enterprise Income Tax have been provided in the consolidated financial statements for both years as the Group has no assessable profits in the PRC for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

13. TAXATION (cont'd)

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

	2007 HK$'000	2006 HK$'000
Loss before taxation	(94,733)	(44,268)
Tax at the domestic income tax rate of 17.5%	(16,578)	(7,746)
Tax effect of expenses not deductible for tax purpose	28,236	49,330
Tax effect of income not taxable for tax purpose	(16,933)	(32,366)
Over-provision in previous years	–	(1,011)
Tax effect of unrecognised tax losses	5,275	615
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	823
Taxation for the year	–	9,645

14. DIVIDENDS

A special dividend of HK$0.207 per share totalling approximately HK$55,553,000 was declared on 3 January 2007 and paid on 9 January 2007 following the completion of the disposal of the entire equity interest in Nority (BVI) Limited and its subsidiaries on 5 January 2007.

The Directors do not propose any final dividends for the year 2007.

No dividend had been proposed or paid for 2006.

15. LOSS PER SHARE

The calculation of basic loss per share was based on the Group's loss attributable to equity holders of the Company of approximately HK$83,877,000 (2006: HK$50,791,000) and the weighted average number of ordinary shares of 2,683,726,120 (2006: 2,683,726,120) in issue during the year.

Pursuant to the resolutions passed at the Annual General Meeting held on 25 May 2007, the Company subdivided each of the existing and unissued shares of HK$0.1 each in the share capital of the Company into 10 shares of 0.01 each (the "Share Subdivision"). The Share Subdivision took place on 28 May 2007.

For the purpose of calculating the basic loss per share attributable to the ordinary equity holders of the Company, the number of shares as increased by the Share Subdivision is taken for the whole year, regardless of the date in the year when the Share Subdivision took place. Comparative figure for 2006 is restated using the same increased number of shares.

The computation of diluted loss per share for the year ended 31 December 2007 does not assume the conversion of the Company's outstanding convertible loan note since its exercise would result in a decrease in loss per share.

No diluted loss per share had been presented for the year ended 31 December 2006 as there was no diluting event during that year.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings in Taiwan HK$'000	Leasehold buildings in Mainland China HK$'000	Leasehold buildings in Hong Kong HK$'000	Leasehold improve-ments, furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
COST								
At 1 January 2006	37,397	38,892	3,352	37,075	206,373	4,132	10,410	337,631
Transfer to investment properties (Note 18)	(34,834)	–	–	–	–	–	–	(34,834)
Additions	–	–	–	478	2,038	–	1,250	3,766
Disposals/written off	(48)	–	–	(3,529)	(7,218)	(1,565)	–	(12,360)
Reclassified as held for sale (Note 26)	(3,258)	(38,892)	–	(149)	–	(136)	(12,016)	(54,451)
Exchange realignment	743	–	–	25	–	46	356	1,170
At 31 December 2006 and 1 January 2007	—	—	3,352	33,900	201,193	2,477	—	240,922
Additions	–	–	–	2,831	3,246	1,596	–	7,673
Disposals/written off	–	–	(3,352)	(2,497)	(2,079)	(144)	–	(8,072)
At 31 December 2007	–	–	–	34,234	202,360	3,929	–	240,523
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
At 1 January 2006	24,712	10,970	1,153	32,193	182,198	3,694	–	254,920
Transfer to investment properties (Note 18)	(15,089)	–	–	–	–	–	–	(15,089)
Charge for the year	35	972	83	1,173	8,831	183	–	11,277
Eliminated on disposals/written off	(48)	–	–	(1,354)	(6,215)	(1,379)	–	(8,996)
Impairment loss reversed	(7,904)	–	–	–	–	–	–	(7,904)
Reclassified as held for sale (Note 26)	(2,098)	(11,942)	–	(133)	–	(134)	–	(14,307)
Exchange realignment	392	–	–	23	–	39	–	454
At 31 December 2006 and 1 January 2007	–	–	1,236	31,902	184,814	2,403	–	220,355
Charge for the year	–	–	14	1,146	6,500	210	–	7,870
Eliminated on disposals/written off	–	–	(1,250)	(2,446)	(2,029)	(110)	–	(5,835)
At 31 December 2007	–	–	–	30,602	189,285	2,503	–	222,390
NET CARRYING VALUES								
At 31 December 2007	–	–	–	3,632	13,075	1,426	–	18,133
At 31 December 2006	–	–	2,116	1,998	16,379	74	–	20,567

16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The above items of property, plant and equipment, other than construction-in-progress, are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Buildings	2.5%-4%
Leasehold improvements, furniture and fixtures	12.5%-33.33%
Machinery and equipment	10%-50%
Motor vehicles	20%-25%

In 2006, impairment test on freehold land and buildings in Taiwan was assessed on the basis of their open market value by an independent valuer in Hong Kong. Reversal of impairment loss of approximately HK$7,904,000 had been dealt with in the consolidated income statement in that year.

At 31 December 2007, none of the Group's property, plant and equipment was pledged.

At 31 December 2006, freehold land and buildings in Taiwan and leasehold buildings in Hong Kong with aggregate net carrying values of approximately HK$5,235,000 were pledged to certain banks to secure banking facilities granted to certain subsidiaries of the Company.

17. PREPAID LEASE PAYMENTS

	2007 HK$'000	2006 HK$'000
Carrying amount at 1 January	3,119	11,894
Amortisation charge for the year	(17)	(326)
Disposals	(3,102)	–
Classified as held for sale (Note 26)	–	(8,449)
Carrying amount at 31 December	–	3,119
The Group's carrying value of prepaid lease payments shown above comprises:		
Medium term leasehold land in Hong Kong	–	3,119
Analysed for reporting purposes as:		
Current asset	–	101
Non-current asset	–	3,018
	–	3,119

18. INVESTMENT PROPERTIES

	Taiwan HK$'000	Mainland China HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2006	2,861	1,336	4,197
Exchange realignment	119	–	119
Reallocation from freehold land and buildings in Taiwan (Note 16)	19,745	–	19,745
Net decrease in fair value recognised in the consolidated income statement	(685)	–	(685)
Classified as held for sale (Note 26)	(22,040)	(1,336)	(23,376)
At 31 December 2006, 1 January 2007 and 31 December 2007	–	–	–

In 2006, investment properties were revalued on the basis of their open market value by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. BMI Appraisals Limited is a member of the Institute of Valuers, and has appropriate qualification and relevant experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes were measured using the fair value model and were classified and accounted for as investment properties.

19. GOLF CLUB DEBENTURE

The golf club debenture represents club membership of Mission Hills Golf Club in the PRC. The directors of the Company consider that no impairment of the balance of golf club debenture is required since its fair value is higher than its carrying value as at 31 December 2007.

20. LOANS AND RECEIVABLES

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	–	1,646
Exchange realignment	–	45
Impairment loss recognised	–	(711)
Refunded during year	–	(980)
Balance at end of the year	–	–

Loans and receivables represented refundable deposits placed with golf clubs in Taiwan. The amounts had been partially refunded during year ended 31 December 2006.

21. INVENTORIES

	2007	2006
	HK$'000	HK$'000
Inventories	19,403	33,549
Less: Allowance for inventories	(9,984)	(4,633)
	9,419	28,916
Raw materials	4,556	13,842
Work-in-progress	1,658	7,122
Finished goods	3,205	7,952
	9,419	28,916

22. TRADE AND BILLS RECEIVABLES

	2007	2006
	HK$'000	HK$'000
Trade receivables	1,574	11,096
Less: Allowance for bad and doubtful debts	(1,570)	(919)
	4	10,177
Bills receivables	3,695	3,432
	3,699	13,609

The Group allows credit period ranging from 30 to 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	2007	2006
	HK$'000	HK$'000
0-30 days	4	6,035
31-60 days	–	1,419
61-90 days	–	2,720
Over 90 days	–	3
Total	4	10,177

At 31 December 2007, the Group has no debtors which are past due but has not provided for impairment based on the historical cost payment records.

Included in the Group's trade receivables as at 31 December 2006 were debtors with an aggregate carrying amount of approximately HK$2,858,000 which were past due at the reporting date for which the Group had not provided for impairment loss as there was no significant change in credit quality and the amounts were still considered recoverable. The average age of these receivables was 41 days.

22. TRADE AND BILLS RECEIVABLES (cont'd)

The Group's neither past due but not impaired trade receivables mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures. The Group does not hold any collateral over those balances.

Ageing of trade receivables which are past due but not impaired:

	2007 HK$'000	2006 HK$'000
0-30 days	–	–
31-60 days	–	20
61-90 days	–	2,541
Over 90 days	–	297
Total	–	2,858

Movement in the allowance for bad and doubtful debts:

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	919	1,873
Allowance recognised on receivables	651	–
Allowance reversed	–	(954)
Balance at end of the year	1,570	919

23. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments comprise:

	2007 HK$'000	2006 HK$'000
Equity securities listed in Hong Kong, at fair value	28,841	–

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Stock Exchange.

24. IMPAIRMENT LOSS RECOGNISED ON DEPOSIT PAID FOR AN INVESTMENT IN A SUBSIDIARY

In July 2007, the Company and Wai Chun had entered into a letter of intent with independent third parties (the "Vendors") to acquire in aggregate 90% equity interests of Minera Chile Explotacion Limitada ("MINCEL") for a total consideration of US$4 million (equivalent to approximately HK$31.2 million). Pursuant to the letter of intent, the Company would acquire 60% equity interests of MINCEL from the Vendors in a consideration amounting to US$2.66 million whilst Wai Chun would acquire 30% equity interests of MINCEL from the Vendors in a consideration amounting to US$1.34 million. MINCEL is incorporated in Santiago of Chile with limited liability. It owns 32 mine rights and has been granted 22 permanent mining rights and 10 exploration rights according to the laws of Chile.

US$2 million was paid in advance solely by Wai Chun on behalf on the Company. Wai Chun has not charged the Company any interest or fees for paying the Company's share of the deposit and no security over the assets of the Company has granted to Wai Chun in relation to the deposit.

Negotiations between the Company, Wai Chun and the Vendors in relation to the proposed acquisition of MINCEL were terminated on 7 November 2007. According to the letter of intent, the US$2 million deposit shall be refunded by the Vendors to Wai Chun within 5 working days after termination of the negotiations in relation to the proposed acquisitions. Up to this date of this report, Wai Chun is still taking steps to recover the deposit from the Vendors. Full provision has been made by the Company in respect of its share of the deposit, being US$1.33 million (equivalent to approximately HK$10,400,000).

25. BANK BALANCES

Bank balances carried interest at market rates which range from 0.01% to 3.6% per annum for the year ended 31 December 2007 (2006: 0.01% to 3.3125%).

At 31 December 2007, bank balances of approximately HK$1,241,000 (2006: HK$2,256,000) and HK$513,000 (2006: HK$264,000) were originally denominated in USD and RMB respectively.

26. ASSETS CLASSIFIED AS HELD FOR SALE

On 6 November 2006, the Group had entered into a disposal agreement with Micon Limited ("Micon") and South China Industries Limited to dispose of the entire equity interest in Nority (BVI) Limited and its subsidiaries to Micon at a total consideration of approximately HK$75,555,000 in cash. The disposal was completed on 5 January 2007.

The major classes of assets and liabilities which had been presented separately in the consolidated balance sheet were as follows:-

	2007 HK$'000	2006 HK$'000
Property, plant and equipment and construction-in-progress	–	40,144
Investment properties	–	23,376
Prepaid lease payments on land use rights	–	8,449
Deposits, prepayments and other receivables	–	128
Frozen bank balances	–	2,079
Assets classified as held for sale	–	74,176
Trade and bills payables	–	292
Accruals and other payables	–	1,208
Liabilities associated with assets classified as held for sale	–	1,500

27. TRADE AND BILLS PAYABLES

An ageing analysis of trade payables is as follows:

	2007 HK$'000	2006 HK$'000
0-30 days	7,454	14,085
31-60 days	337	8,433
61-90 days	104	1,223
Over 90 days	2,563	1,719
	10,458	25,460
Bills payable	11,714	108
	22,172	25,568

The average credit period on purchases of goods ranging from 60 to 90 days.

28. RETIREMENT BENEFITS OBLIGATIONS

Defined contribution retirement benefit plans

The employees of the Group in the PRC are members of defined contribution plans organised by the relevant local government authorities in the PRC. The subsidiary is required to make monthly contributions to these plans at a fixed percentage of the employee's basic salary. The only obligation of the Group with respect to the retirement benefit scheme in the PRC is to make the required contributions under the scheme.

The Group participates in a retirement benefits scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. The employer's contributions vested fully with the employees when contributed into the scheme. The only obligation of the Group with respect to the scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately HK$852,000 (2006: HK$1,510,000) represents contributions payable to the retirement schemes by the Group.

Defined retirement benefit plan

No further provision for defined retirement benefit plan was made for the subsidiary in Hong Kong for the year ended 31 December 2007 as all the retirement benefit is covered by defined contribution retirement benefit plan.

A former subsidiary in Taiwan had applied voluntarily winding up as at 30 November 2006. The former subsidiary had an unfunded defined benefit retirement plan providing benefits to all eligible employees based on final pay. The obligation for the unfunded defined retirement benefit plan is provided with reference to expected final settlement as at 31 December 2006.

	2007	2006
	HK$'000	HK$'000
Present value of unfunded obligations and liability as at 31 December	–	2,998
Current portion	–	(2,998)
Non-current portion	–	–

29. AMOUNT DUE TO A RELATED COMPANY/A FORMER INTERMEDIATE HOLDING COMPANY

The amounts are unsecured, interest-free and repayable on demand.

30. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and will not be repayable before the year ending 31 December 2008.

31. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and will not be repayable until 31 December 2010.

32. CONVERTIBLE LOAN NOTE

The Company issued a HK$28,836,800, 2% convertible loan note ("Convertible Note") on 29 March 2007. The Convertible Note is denominated in Hong Kong dollars and entitles the holder to convert it into ordinary shares of the Company at any time after the sixth month of the date of issue of the Convertible Note until 5 business days prior to the maturity date on 30 September 2009 at a conversion price of HK$0.0538 each. The Company will redeem the Convertible Note at 100% of its principal amount on the maturity date. No early redemption is allowed.

The Convertible Note contains two components, liability and equity element. The equity element is presented in equity heading "convertible note reserve". The effective interest rate of the liability component is 12.57%.

The movement of the liability component of the Convertible Note for the year is set out below:

	2007 HK$'000	2006 HK$'000
At 1 January 2007	–	–
Issue of Convertible Note	28,837	–
Recognition of equity component	(4,368)	–
Interest charge (Note 9)	2,307	–
Interest accrued	(440)	
At 31 December 2007	26,336	–

33. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1 January 2006 and 31 December 2006	1,000,000,000	100,000
Share Subdivision	9,000,000,000	–
Ordinary shares of HK$0.01 each at 31 December 2007	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 January 2006 and 31 December 2006	268,372,612	26,837
Share subdivision	2,415,353,508	–
Ordinary shares of HK$0.01 each at 31 December 2007	2,683,726,120	26,837

Pursuant to the resolutions passed at the Annual General Meeting held on 25 May 2007, the Company subdivided each of the existing and unissued shares of HK$0.1 each in the share capital of the Company into 10 shares of 0.01 each. The Share Subdivision took place on 28 May 2007.

All the shares which were issued during the years rank *pari passu* with the then existing shares in all respects.

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

34. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%)

The movement on the deferred tax assets was as follows:

	2007 HK$'000	2006 HK$'000
At 1 January	–	10,656
Charged to the consolidated income statement (Note 13)	–	(10,656)
At 31 December	–	–

At 31 December 2007, the Group has unused tax losses of approximately HK$33,662,000 (2006: HK$3,519,000) 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.

34. DEFERRED TAXATION (cont'd)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the two years ended 31 December 2007 and 2006 are as follows:

Deferred tax assets

	Amortisation and depreciation HK$'000	General provisions HK$'000	Pensions HK$'000	Estimated tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2006	1,346	7,386	1,624	384	139	10,879
Charged to the consolidated income statement	(1,346)	(7,386)	(1,624)	(384)	(139)	(10,879)
At 31 December 2006, 1 January 2007 and 31 December 2007	–	–	–	–	–	–

Deferred tax liabilities

	Amortisation and depreciation HK$'000
At 1 January 2006	(223)
Credited to the consolidated income statement	223
At 31 December 2006 and 1 January 2007 and 31 December 2007	–

35. DISPOSAL OF SUBSIDIARIES

On 5 January 2007, the Group disposed of its entire equity interest in Nority (BVI) Limited and its subsidiaries ("Nority BVI") to Micon at a total consideration of approximately HK$75,555,000 in cash. Net assets of these subsidiaries at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Assets classified as held for sales	74,176
Liabilities associated with assets classified as held for sale	(1,500)
Bank balances	1,286
Amount due from a former fellow subsidiary	15,100
	89,062
Minority interests	(1,791)
Exchange reserve released	8,744
Loss on disposal	(20,460)
Total consideration	75,555
Satisfied by cash:	75,555
Net cash inflow arising on disposal:	
Cash consideration	75,555
Bank balances disposed of	(1,286)
	74,269

The subsidiaries disposed of during the year had no contribution to the Group's turnover and loss for the year.

36. DEEMED DISPOSAL OF PARTIAL INVESTMENT IN A SUBSIDIARY

On 5 January 2007, subscription shares of Nority Limited were allotted and issued to Micon at a consideration of HK$3,250,000. As a result, the Company's equity interests in Nority Limited decreased from 100% to 65%.

Gain arising from this deemed disposal of partial investment in Nority Limited and effect on minority interest amounted to approximately HK$4,471,000.

37. OPERATING LEASES

The Group as lessee

	2007 HK$'000	2006 HK$'000
Minimum lease payments in respect of rented premises paid under operating leases during the year	4,667	992

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	6,500	38
In the second to fifth year inclusive	5,386	32
	11,886	70

Operating lease payments represent rentals payable by the Group for its office premises in Hong Kong and production factories in the PRC. Leases are negotiated for an average term of two years (2006: five) and rentals are fixed for an average period of two years.

38. CAPITAL COMMITMENT

	2007 HK$'000	2006 HK$'000
Contracted for but not provided in the consolidated financial statements in respect of construction of a factory in the PRC	–	373

39. MAJOR NON-CASH TRANSACTION

As explained in Note 36, subscription shares of Nority Limited were allotted and issued to Micon at a consideration of HK$3,250,000. This consideration was settled through current account with Micon.

40. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2007, the Company paid rentals to Wai Chun Holdings Group Limited ("Wai Chun Holdings") amounted to HK$703,000 for its office premises in Hong Kong for the period from 1 February 2007 to 30 June 2007. Mr. Lam Ching Kui is a common director of the Company and Wai Chun Holdings. The rental agreement was on normal commercial terms with reference to prevailing market rent for similar properties.

During the year ended 31 December 2007, a subsidiary of the Company paid rentals to a fellow subsidiary of Micon amounted to HK$2,719,000. The rental agreement was on normal commercial terms with reference to prevailing market rent for similar properties.

The remuneration of directors and other members of key management during the year is given in Note 12. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

Details of the balances with related parties as at balance sheet date are set out in the consolidated balance sheet and relevant notes to the consolidated financial statements.

41. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

Share option scheme ("Scheme") of the Company was adopted by the shareholders of the Company on 10 June 2003 to comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Under the terms of the Scheme, the directors of the Company may, at their discretion, invite full-time employees of the Group, including directors of the Company and its subsidiaries, and any suppliers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for shares.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) at any time under the Scheme shall not, when aggregated with any shares subject to any other schemes involving the issue or grant of option over shares by the Company to, or for the benefit of eligible participants, exeed such number of shares as shall represent 10% of the issued share capital of the Company as at the adoption date.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each eligible participant must not exceed 1% of the shares in issue unless such grant is approved by the shareholders in a general meeting.

The subscription price for the shares shall be determined by the directors at their discretion provided that it shall not be less than the higher of:

(a) the closing price of the shares as stated in Stock Exchange's daily quotations sheet on the date of offer;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and

(c) the nominal value of the shares on the date of offer.

41. SHARE-BASED PAYMENT TRANSACTIONS (cont'd)

On 15 March 2007, 26,800,000 share options were granted to three directors of the Company in respect of their future service to be provided to the Group. The price of the Company's share at the date of grant was HK$2.36. Following the resignation of these three directors in December 2007, the share options granted to them were cancelled on their respective date of resignation in December 2007. No options have been exercised by these three directors since the date of grant up to the date of cancellation.

Except for the 26,800,000 share options as mentioned above, no other share options have been granted by the Company under the Scheme. The following table discloses movements of the Company's share options held by the three directors during the year ended 31 December 2007:

Option type	Outstanding at 1/1/2006 and 1/1/2007	Granted during year	Exercised during year	Cancelled during year	Outstanding at 31/12/2007
"Scheme"	–	26,800,000	–	(26,800,000)	–
Exercisable at end of the year					–
Weighted average exercise price	–	HK$2.36	–	–	–

During the year ended 31 December 2007, options were granted on 15 March. The estimated fair values of the options granted on those dates are approximately HK$17,857,000. No share option was granted during the year ended 31 December 2006.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Date of grant	15 March 2007
Spot Price	HK$2.36
Exercise Price	HK$2.36
Risk-free interest rate	3.99%
Nature of the share options	Call
Expected life of the options	2.75 years
Expected volatility	41.46%

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

Approximately HK$17,857,000 of employee benefit expense has been included in the consolidated income statement for 2007 (2006: Nil), the corresponding amount of which has been credited to share option reserve. No liabilities were recognised on the equity-settled share-based payment transactions. When the share options were subsequently cancelled in December 2007, the amount previously recognised in share option reserve was transferred to accumulated losses.

42. SUMMARISED BALANCE SHEET OF THE COMPANY

	Note	2007 HK$'000	2006 HK$'000
Investments in subsidiaries		10,500	107,083
Plant and equipments		2,335	–
Prepayments and other receivables		2,794	–
Held-for-trading investments		28,841	–
Bank balances and cash		1,893	30
Amounts due from subsidiaries/former subsidiaries		–	25,461
Accruals and other payables		(4,598)	–
Amount due to ultimate holding company		(8,549)	–
Convertible loan note		(26,336)	–
		6,880	132,574
Share capital		26,837	26,837
Share premium	43	48,079	48,079
Share options reserve	43	–	–
Convertible note reserve	43	4,368	–
Special reserve	43	62,934	61,083
Accumulated losses	43	(135,338)	(3,425)
		6,880	132,574

43. RESERVES

The Group

Other reserve of the Group as at 31 December 2007 was represented by the followings:

(i) the Company's share of Nority Limited's share premium amounted to approximately HK$2,288,000 arising from the allotment and issue of subscription shares to Micon as detailed in Note 36;

(ii) deemed contribution from Micon amounted to approximately HK$2,767,000 arising from the long-term interest-free advances given to the Company as detailed in Note 30; and

(iii) deemed contribution from Wai Chun amounted to approximately HK$1,851,000 arising from the long-term interest-free advances given to the Company as detailed in Note 31.

43. RESERVES (cont'd)

The Company

	Share premium HK$'000	Share options reserve HK$'000	Convertible note reserve HK$'000	Special/ other reserve HK$'000	Accumulated losses HK$'000	Total RMB'000
At 1 January 2006	48,079	–		61,083	(842)	108,320
Loss for the year	–	–		–	(2,583)	(2,583)
At 31 December 2006 and 1 January 2007	48,079	–	–	61,083	(3,425)	105,737
Equity components on convertible loan note	–	–	4,368	–	–	4,368
Recognition of equity-settled share-based payments	–	17,857	–	–	–	17,857
Cancellation of share options previously granted	–	(17,857)	–	–	17,857	–
Deemed contribution from an equity holder of the Company	–	–	–	1,851	–	1,851
Loss for the year	–	–	–	–	(94,217)	(94,217)
Special dividends paid	–	–	–	–	(55,553)	(55,553)
At 31 December 2007	48,079	–	4,368	62,934	(135,338)	(19,957)

44. POST BALANCE SHEET EVENTS

According to the announcement of the Company dated 15 February 2008, the Company has entered into two heads of agreements for proposed acquisitions.

The first heads of agreement was entered into by the Company and Wai Chun with the independent third parties ("Vendors") on 10 February 2008, pursuant to which the Company and Wai Chun will acquire 78% and 22% of the issued share capital of First Target Company from the vendors respectively for not less than US$89.8 million. The consideration payable by the Company for 78% interests will be US$70.044 (equivalent to approximately HK$546.35 million), to be satisfied by issue and allotment of new shares of the Company based on the average closing price of the shares as quoted on the Stock Exchange of Hong Kong for the five trading days prior to the signing of this first heads of agreement which is equivalent to HK$1.704 per new share.

First Target Company is a company incorporated in the BVI and interested in 85% equity interests in a company incorporated in Indonesia which owns a coal mine in Indonesia.

44. POST BALANCE SHEET EVENTS (cont'd)

The second heads of agreement was entered into between the Company and United Mining & Materials Co., Ltd.("UMMC") on 13 February 2008, pursuant to which the Company will acquire the entire issued share capital of United Mineral Resources Pte. Ltd. ("UMR") and the entire issued share capital of United Resources (Indonesia) Co., Ltd. ("UR") from UMMC for not less than US$92.25 million (approximately HK$719.55 million). US$45 million (equivalent to approximately HK$351 million) of which will be satisfied by cash and the remaining balance of US$47.25 million (equivalent to approximately HK$368.55 million) will be satisfied by the issue and allotment of 216,285,211 new shares of the Company at the price of HK$1.704 each.

US$5 million (equivalent to approximately HK$39 million) has been paid by the Company to UMMC upon signing of this second heads of agreement as refundable deposit. Another US$5 million will be paid upon signing of the definitive agreement and the remaining US$35 million will be paid upon completion of the proposed acquisition.

UMMC is a company incorporated in the BVI with limited liability. It owns the entire issued share capital of UMR which is a company incorporated in the Republic of Singapore with limited liability and the entire issued share capital of UR which is a company incorporated in the BVI with limited liability.

The sole assets of UMR are (1) the ownership of 85% beneficial interest in 3 concession-owing Indonesian companies ("KP Companies") that control a series of exploration and mining permits containing substantial identified quantities of the iron bearing titano-magnetite sands ("Iron Sand Deposit"); and (2) 99% of the entire issued share capital of P.T. UMR Indonesia Ltd. ("P.T. UMR"), a company incorporated in Indonesia with limited liability which is a mining services company that maintains an exclusive contract with the KP Companies to develop and exploit the Iron Sand Deposit.

The sole asset of UR is the ownership of 1% of the entire issued share capital of P.T. UMR.

45. SUBSIDIARY

Details of the Company's subsidiary as at 31 December 2007 are as follows:

Name of company	Place of incorporation/ establishment	Particulars of issued share capital	Proportion of ownership interest directly held	Principal activities and place of operation (if different from place of incorporation)
Nority Limited	Hong Kong	Voting class "A" HK$100 Non-voting class "B" HK$12,000,000 (a)	65%	Manufacture and export of footwear in the PRC

(a) The holders of the non-voting class "B" shares shall have no right to receive notice of or to attend or vote at any general meeting of Nority Limited.

Five Years Financial Summary

RESULTS

	Year ended 31st December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(restated)	(restated)
Turnover	68,080	132,418	297,638	259,472	420,939
Loss before taxation	(94,733)	(44,268)	(59,064)	(30,303)	(24,337)
Taxation	–	(9,645)	6,678	1,287	3,471
Loss for the year	(94,733)	(53,913)	(52,386)	(29,016)	(20,866)
Minority interests	10,856	3,122	412	(609)	(1,719)
Loss for the year attributable to equity holders	(83,877)	(50,791)	(51,974)	(29,625)	(22,585)

ASSETS AND LIABILITIES

	As at 31st December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(restated)	(restated)
Total assets	70,227	146,696	221,933	281,453	315,283
Total liabilities	(94,001)	(53,029)	(72,577)	(71,691)	(76,428)
	(23,774)	93,667	149,356	209,762	238,855
Minority interests	14,095	(1,791)	(7,413)	(7,825)	(7,216)
	(9,679)	91,876	141,943	201,937	231,639