WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED

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

Annual Report 2008

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lam Ching Kui *(Chairman)*
Guo Qing Hua *(CEO)* #

INDEPENDENT NON-EXECUTIVE DIRECTORS

Shaw Lut, Leonardo * #
Geng Ying * #
Chan Chun Wai * #

* Member of Audit Committee
\# Member of Remuneration Committee

CHIEF EXECUTIVE OFFICER

Guo Qing Hua

COMPANY SECRETARY

Wong Man Tai

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
16/F, United Centre,
95 Queensway,
Hong Kong.

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 Hong Kong and Shanghai Banking Corporation Limited

STOCK CODE

0660

COMPANY WEBSITE

www.0660.hk

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of directors (the "Board") of Wai Chun Mining Industry Group Company Limited (the "Company"), I would like to present the audited consolidated results of the Company and its subsidiary (collectively referred to as the "Group") for the financial year ended 31 December 2008 (the "Year").

FINANCIAL PERFORMANCE

The Group's revenue for the year ended 31 December 2008 amounted to approximately HK$82,480,000 (2007: HK$ 68,080,000), representing an increase of approximately 21% over last year. The Group's audited consolidated net loss attributable to the shareholders was HK$ 72,995,000 for the Year (2007: HK$ 94,733,000), representing a decrease of approximately 23% over last year. Loss per share for the Year was HK$0.62 cents.

In 2008, the Group has focused its marketing efforts significantly in exploring new market. This effort was rewarded by the establishment of the new market segment in middle east which has generated revenue amounted to HK$ 30,654,000 for the year ended 31 December 2008. (2007: Nil) The Management will continue to exploit the opportunities to expand into other markets and believes that such strategy will further increase and strengthen the Group's revenue bases.

For the year ended 31 December 2008, the Group recorded a loss of approximately HK$72,995,000, a decrease of approximately HK$ 21,738,000, or an improvement of approximately 23%, when compared with the loss of approximately HK$ 94,733,000 for last year. The operating performance of the Company for the Year is in fact similar to the previous year, The selling expenses, administrative expenses and other revenue for the year ended 31 December 2008 and 31 December 2007 were HK$ 5.9 million and HK$ 5.9 million, HK$ 37 million and HK$ 37 million and HK$ 3.3 million and HK$ 5.8 million respectively. The increase in revenue from HK$ 68 million to HK$ 83 million led to the improvement in gross loss from the loss of HK$ 22 million in the year of 2007 to the loss of HK$ 6 million in the year of 2008. The improvement in operating results was due to the effect of economic of scale. However, the decrease in fair value of held-for–trade investments amounted to HK$ 22 million resulting in the loss of the Year reaching HK$ 73 million. The Board believes that the new market exploration strategy adopted in 2008 has successfully avoided further deterioration of operating results and marked an improvement when compared with that of last year. The fine tune of this strategy will lay a solid foundation for the long term development of the Group.

BUSINESS REVIEW AND PROSPECTS

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.

There was no change in the nature of the Group's principal activity during the Year.

The footwear manufacturing business is currently facing severe competition and it is envisaged that this situation will continue for a few years in the future. The Board believes that it is necessary to diversify its business activities and operation into other areas of business. As a part of its strategy, the Group has been constantly appraising opportunities in expanding its business to other industries.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

With reference to the company's announcement dated 6 March 2009, the Company has been in negotiation with an independent third party in respect of a possible acquisition project which is related to the provision of internet backbone services for the cable television network that offers triple play integrated services including cable television, broadband network service and internet phone service in the People's Republic of China. The Directors confirmed that such negotiations are still at a preliminary stage and no definitive terms have been agreed between any negotiating parties. Regardless of whether the potential acquisition may or may not materialize, it proved that the Directors of the Company are actively seeking and exploring potential business projects and investment opportunities to broaden and strengthen its operating performance which will ultimately maximise benefit to the shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's current assets and current liabilities were approximately HK$57,813,000 (2007: HK$51,848,000) and HK$132,269,000 (2007: HK$39,287,000) respectively. The Group's current ratio, which equals to current assets divided by current liabilities, was 0.44 (2007: 1.32)

The Group had bank balances and cash of approximately HK$39,548,000 (2007: HK$6,577,000) as at 31 December 2008.

The Group's gearing ratio, as a ratio of total interest-bearing borrowing and the loan from ultimate holdings company and loan from a minority shareholder of a subsidiary to total assets as at 31 December 2008, was 2.23 (2007: 0.79)

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. As at the date of this report, Wai Chun Investment Fund has provided HK$76,000,000 to 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

Most assets, liabilities and transactions of the Group are denominated in RMB and HKD. In view of the currency peg between HKD and United States dollars ("USD") and a relatively strong RMB at HKD1.00 equal to RMB 0.882 (as at 31 December 2008) the fluctuations of foreign currencies did not have a significant impact on the performance of the Group. As at 31 December 2008, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

On 29 March 2007, the Company issued a Convertible Note to an independent third party in the principal amount of HK$28,836,800 at the initial conversion price of HK$0.538 per share. During the two years ended 31 December 2008, the Company had undergone two capital reorganizations pursuant to which the entire share capital of the Company, issued and unissued, of HK $0.1 each was subdivided into 40 shares of HK$ 0.0025 each. As a result, as at 31 December 2008, the initial conversion price and the number of shares to be issued of the Note has been adjusted to HK$0.01345 and 2,144,000,000 shares respectively.

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.

Pursuant to the resolutions passed at the Extraordinary General Meeting held on 18 July 2008, the entire share capital, issued and unissued, of HK$0.01 each was subdivided into 4 shares of HK$0.0025 each. The share subdivision took place on 21 July 2008.

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 ACQUISITIONS AND DISPOSALOF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group has no material acquisitions and disposals of subsidiaries and associated companies for the year ended 31 December 2008.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed above and in this section of "Chairman's Statement and Management Discussion and Analysis", the Directors do not have any future plans for material investment or capital assets.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2008 the Group had no pledge of assets and no significant contingent liabilities.

EMPLOYEES

As at 31 December 2008, the Group had a total of 52 employees in Hong Kong and in the PRC. Employees' costs (including directors' emoluments) amounted to approximately HK$32,979,000 for the year ended 31 December 2008. 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.

Comprehensive disclosure of directors' emoluments pursuant to section 161 of the Hong Kong Companies Ordinance is set out note 15a to the consolidated financial statements.

APPRECIATION

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

Lam Ching Kui
Chairman

Hong Kong, 6 April 2009

The Board of Directors of the Company (the "Directors") is committed to uphold a high standard of corporate governance to safeguard the interests of shareholders and the Company as a whole.

The Group has complied with all requirements 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") during the year under review.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

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 2008.

BOARD OF DIRECTORS

Responsibilities

The Board has a balance of skill and experience and a balanced composition of Executives and Non-Executive Directors and is responsible for oversight of the management of the Company's business and affairs. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company.

Composition of the Board

The Board comprises the Chairman, the Chief Executive Officer (the 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 Guo Qing Hua respectively. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Chief Executive Officer is responsible for effective implementation of the overall strategies and initiatives adopted by the Board as well as the daily operation of the Group.

With the support of the Chief Executive Officer and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and receive adequate and reliable information in relation to matters discussed at Board meetings and also other affairs of the Group on a timely basis.

Independent Non-executive Directors

During the year ended 31 December 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company had received from each of the current Independent Non-executive Directors, Mr. Shaw Lut, Leonardo, Ms, Geng Ying and Mr. Chan Chun Wai an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2008. The Company considers that all the Independent Non-Executive Directors are independent.

The Independent Non-Executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all Independent Non-Executive Directors make various contributions to the effective direction of the Company.

Appointment/re-election of removal of directors

The appointment of all the directors, including Independent Non-Executive Directors, is for a specific term of not more than three 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.

Board Process

During the year ended 31 December 2008, the Board held eight regular board meetings. In addition, executive Board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are thus usually only executive directors would be attended. The Directors participated in person or through electronic means of communication. The attendance of each Director is set out as follows:

Name of Director	Number of meetings attended/held
Executive Directors	
Mr. Lam Ching Kui	8/8
Mr. Guo Qing Hua *(CEO)* (appointed on 13 February 2009)	0/0
Mr. Liu Qun *(CEO)* (appointed on 10 June 2008 and resigned on 13 February 2009)	5/6
Mr. Alexander Yueh *(CEO)* (resigned on 18 July 2008)	0/4
Mr. Chen Wei (resigned on 8 May 2008)	0/2
Independent Non-Executive Directors:	
Mr. Shaw Lut, Leonardo	6/8
Mr. Chan Chun Wai	8/8
Ms. Geng Ying (appointed on 19 November 2008)	1/1
Mr. Frank Hu (resigned on 19 November 2008)	6/7

Directors are provided with relevant information to make informed decisions. The Board and each director have separate and independent access to the Company's senior management for information and making enquires if necessary. A director of the Company who considers it necessary to seek independent professional advice in order to perform his/her duties as a director of the Company may convene, or request the Company Secretary of the company to convene, a meeting of the Board to approve the consultation of independent legal or other professional advisor for advice. For regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least three days before the intended date of a meeting.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

BOARD COMMITTEES

The Board has established the following committees with defined terms of reference, which are of no less than exact terms than those set out in the Code.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one Executive Director and three Independent Non-Executive Directors.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The Company's emolument policy is to ensure that the remuneration offered to employees including Executive Directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for Independant Non-Executive Directors, mainly comprising directors' fees, is subject to annual assessment with reference to the market standard. Individual Director and senior management would not be involved in deciding their own remuneration.

During the year ended 31 December 2008, the Remuneration Committee held three meetings, with attendance record as follows:

Name of Director	**Number of meetings attended/held**
Mr. Shaw Lut, Leonardo	3/3
Mr. Chan Chun Wai	3/3
Ms. Geng Ying (appointed on 19 November 2008)	1/1
Mr. Frank Hu (resigned on 19 November 2008)	2/2
Mr. Alexander Yueh (resigned on 18 July 2008)	0/1
Mr. Liu Qun (appointed on 18 July 2008 and resigned on 13 February 2009)	2/2

During the year under review, the Remuneration Committee reviewed matters relating to remuneration packages of directors and senior management.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-Executive Directors namely Mr. Shaw Lut, Leonardo, Ms. Geng Ying and Mr. Chan Chun Wai. 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.

During the year ended 31 December 2008, the Audit Committee held three meetings, with attendance record as follows:

Name of Director	Number of meetings attended/held
Mr. Shaw Lut, Leonardo	2/3
Mr. Chan Chun Wai	3/3
Ms. Geng Ying (appointed on 19 November 2008)	1/1
Mr. Frank Hu (resigned on 19 November 2008)	2/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 31 December 2007, the interim report for the six months ended 30 June 2008 and the continued connected transaction concluded in 5 December 2008 respectively. The Audit Committee has also reviewed the Group accounting principles and practices, Listing Rules and statutory compliance, internal controls and financial reporting matters. The Committee is satisfied with their review of the independence of the Auditors and their audit process for 2008 audit and recommended the Board their re-appointment in 2009 at the forthcoming Annual General Meeting.

The Group's results and financial statements for the year ended 31 December 2008 have been reviewed by the Audit Committee.

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 20 to 21of the Annual Report.

AUDITORS' REMUNERATION

The amount of fees charged by the auditor general depends on the scope and volume of the auditor's work. For the year ended 31 December 2008, the remuneration to the auditor of the Company was approximately HK$464,000 for audit service. Non-audit service provided by the Auditors during the year amounted to approximately HK$30,000.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorized use of disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliances with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

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 Internal Control system review performed in 2008, the Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function. There are no material internal control deficiencies that may affect the shareholders of the Company have come to the attention of the Audit Committee or the Board.

COMMUNICATION WITH SHAREHOLDERS

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the Annual General Meeting (the "AGM"). The section under "Chairman's Statement and Management Discussion and Analysis" of the annual report facilitate the shareholders' understanding of the Company's activities. The AGM allows the Directors to meet and communicate with shareholders. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

To further promote effective communication, the corporate website, www.0660.hk, is maintained to disseminated Company's announcements and other relevant financial and non-financial information electronically on a timely basis.

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 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiary are set out in note 42 to the consolidated financial statements. There were no significant changes in the nature of the Company's and of the Group's principal activities during the year.

CHANGE OF COMPANY NAME

The change of the Company name from "Nority International Group Limited " to "Wai Chun Mining Industry Group Company Limited" and the Chinese name "偉俊礦業集團有限公司" has been adopted in lieu of "耐力國際集團有限公司" for identification purpose was approved by the Shareholders at the Extraordinary general meeting of the Company held on 31 March 2008.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Group at that date are set out in the financial statements on pages 22 to 71.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: 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 72.

PROPERTY, PLANT, EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year are set out in note 19 to the financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 32 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 25.

CAPITAL DEFICIENCY

At 31 December 2008, 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$77,369,000 (2007: HK$19,957,000).

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)*	
Mr. Guo Qing Hua *(CEO)*	(appointed on 13 February 2009)
Mr. Liu Qun	(appointed on 10 June 2008 and resigned on 13 February 2009)
Mr. Alexander Yueh *(CEO)*	(resigned on 18 July 2008)
Mr. Chen Wei	(resigned on 8 May 2008)

Independent Non-executive Directors:

Mr. Shaw Lut, Leonardo	
Mr. Chan Chun Wai	
Ms. Geng Ying	(appointed on 19 November 2008)
Mr. Frank Hu	(resigned on 19 November 2008)

In accordance with Article 91 of the Articles of Association of the Company, Mr. Guo Qing Hua and Ms Geng Ying who was appointed after the annual general meeting of the Company held on 19 June 2008 shall hold office until the AGM and shall be eligible for reelection at the forthcoming Annual General Meeting.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Executive Directors:

Mr. Lam Ching Kui, aged 50, 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. Guo Qing Hua, aged 46, graduated from Department of Automation and Computer Science of Huazhong Industrial College (presently known as Huazhong University of Science and Technology) in 1983. He also graduated from the post-graduate study of World Economy of College of Economics of Hubei University in 2002. He has more than 20 years experience in credit management and information technology consulting in PRC.

Independent Non-executive Directors:

Mr. Shaw Lut, Leonardo, aged 42, is the deputy head of 華頓綜合經濟研究所 (Huadun Economic Institute), the director of 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. Chan Chun Wai aged 37, 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.

Ms. Geng Ying, aged 69, graduated from the School of Chinese Medicine in Beijing. Since then, Ms. Geng was the health care doctor in Academy of Traditional Chinese Paintings. During the three years in the Academy of Traditional Chinese Painting, Ms. Geng not only worked as a doctor, she was also studied Chinese paintings. Ms. Geng was awarded as the top 51 highest quality painters for youth and middle aged group in the 1980s. In 1984, Ms. Geng was admitted the member of the China Artists Association. Currently, Ms Geng is the committee member of United Nations Children's Fund in Africa region and the Chairman of the China Cultural Heritage Foundation. Ms. Geng has extensive experience in fund management and administrative management.

Senior Management:

Mr. Wong Man Tai, aged 38, is the Chief Financial Officer and Company Secretary of the Company. Mr. Wong is an associate member of The Hong Kong Institute of Certified Public Accountants and is a fellow member of the Association of Chartered Certified Accountants with more than 14 years experience in auditing, financial management and accounting. Prior to joining the Company, Mr. Wong was the Financial Controller, Qualified Accountant and Company Secretary in a Hong Kong listed company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of not more than three years commencing from their date of appointment, which continues thereafter until terminated by either party giving not less than one months' notice in writing to the other party.

As at the date of this annual report, each of the Independent Non-Executive Directors has entered into a service agreement with the Company for a term of two years from their date of appointment, which can be terminated by either party giving not less than one month notice in writing to the other party.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of emoluments of the Directors are set out in Note 15 to the financial statements.

All the current Independent Non-Executive Directors i.e. Mr. Shaw Lut, Leonardo, Ms. Geng Ying 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 of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party at any time during the year ended 31 December 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director of the Company has interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the year up to the date of this report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

On 8 December 2008, the Group has entered into an Administrative Services Agreement with Wai Chun Group Holdings Limited ("Wai Chun Group"), a listed company in Hong Kong, pursuant to which Wai Chun Group agreed to reimburse the Group the costs incurred in respect of the administrative service provided in the Premises located in Flat 4917-4932, 49 Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong. The lease term is for 22 months commencing from 1 September 2008.

Mr. Lam Ching Kui indirectly owns and controls approximately 74.99% and 74.2% of the issued capital of the Group and Wai Chun Group respectively. Mr. Lam Ching Kui, being a director and the ultimate controlling shareholder (as defined in the Listing Rules) of both the Group and Wai Chun Group and therefore, the entering into of the Administrative Services Agreement between the Group and Wai Chun Group constitutes a continuing connected transaction for each of the Group and Wai Chun Group under Chapter 14A of the Listing Rules.

During the year ended 31 December 2008, the Group has received a total administrative services income of HK800,000 from Wai Chun Group. Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the above continuing connected transactions and opined that the transactions are

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms;

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole

The Board has also confirmed that a letter pursuant to Rule 14A.38 of the Listing Rules has been issued to the Board by auditors of the Company.

Details of the above are set out in Notes 38 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2008, the sales to the Group's five largest customers accounted for 87% 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 42% of the total purchases for the year and purchases from the largest suppliers included therein amounted to 14%.

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, 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 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:

Long Positions

Ordinary shares of HK$0.0025 each of the Company

Name of director	Capacity	Number of shares held	Approximate percentage of shareholding
Lam Ching Kui	Interests of controlled corporations	8,050,053,600	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.

Save as disclosed above, as at 31 December 2008, 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 2008, 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:

Long Positions

Ordinary shares of HK$0.0025 each of the Company

Name of director	Capacity	Number of shares held	Approximate percentage of shareholding
Chinese Success Limited	Beneficial owner	8,050,053,600	74.99%
Wai Chun Investment Fund	Interests of controlled Corporations	8,050,053,600	74.99%

Save as disclosed above, as at 31 December 2008, 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.

During the year ended 31 December 2008, no share options have been granted by the Company under the Scheme. No options was lapsed or cancelled during the year. More details of the share option scheme of the Company are set out in note 39 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the interests in the Company's shares in public hands exceed 25% as at the date of this Annual Report.

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 7 and 11 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 7 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-Executive Directors namely Mr. Shaw Lut, Leonardo, Ms. Geng Ying and Mr. Chan Chun Wai. 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 2009 at the forthcoming Annual General Meeting.

The Group's annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee.

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

During the year ended 31 December 2008, 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, 6 April 2009

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

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

TO THE SHAREHOLDERS OF WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED
(FORMERLY KNOWN AS NORITY INTERNATIONAL GROUP LIMITED)
偉俊礦業集團有限公司
（前稱：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 Wai Chun Mining Industry Group Company Limited (the "Company") and its subsidiary (collectively referred to as the "Group") set out on pages 22 to 71, which comprise the consolidated balance sheet as at 31 December 2008, and 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.

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 2008 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 disclosure requirements of 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 net current liabilities of approximately HK$74,456,000 and capital deficiency attributable to equity holders of the Company of approximately HK$75,789,000 as at 31 December 2008. The Group had incurred loss attributable to equity holders of the Company for the year ended 31 December 2008 amounted to approximately HK$66,110,000. These conditions indicated the existence of a material uncertainty which may cast doubt about the Group's ability to continue as going concern.

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

Hong Kong
6 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	8	**82,480**	68,080
Cost of sales		**(88,695)**	(89,844)
Gross loss		**(6,215)**	(21,764)
Other revenue	9	**3,263**	5,752
Selling expenses		**(5,908)**	(5,893)
Administrative expenses		**(37,007)**	(37,317)
Decrease in fair value of held-for-trading investments		**(22,393)**	(13,817)
Loss on disposal of subsidiaries	34	**–**	(20,460)
Gain on deemed disposal of partial investment in a subsidiary	35	**–**	4,471
Gain on disposal of held-for-trading investments		**–**	7,362
Impairment loss recognised on deposit paid for an investment in a subsidiary	11	**–**	(10,400)
Finance costs	12	**(4,735)**	(2,667)
Loss before taxation	13	**(72,995)**	(94,733)
Taxation	16	**–**	–
Loss for the year		**(72,995)**	(94,733)
Attributable to:			
Equity holders of the Company		**(66,110)**	(83,877)
Minority interests		**(6,885)**	(10,856)
		(72,995)	(94,733)
Dividends	17	**–**	–
Special dividends	17	**–**	55,553
Loss per share-basic	18	**HK(0.62) cents**	HK(0.78) cents

CONSOLIDATED BALANCE SHEET

As at 31st December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	19	**7,734**	18,133
Prepaid lease payments	20	**–**	–
Golf club debenture	21	**246**	246
		7,980	18,379
Current assets			
Inventories	22	**9,985**	9,419
Trade and bills receivables	23	**305**	3,699
Deposits, prepayments and other receivables		**1,527**	3,312
Held-for-trading investments	24	**6,448**	28,841
Bank balances and cash	25	**39,548**	6,577
		57,813	51,848
Current liabilities			
Trade and bills payables	26	**10,176**	22,172
Accruals and other payables		**4,509**	15,406
Tax payable		**1,006**	1,006
Trust receipt loans	25	**4,272**	–
Amount due to ultimate holding company	27	**58,012**	–
Amount due to a director	28	**2,167**	–
Amount due to a minority shareholder of a subsidiary	29	**18,452**	–
Amount due to a related company	30	**1,105**	703
Convertible loan note	31	**26,932**	–
Bank overdraft-unsecured	25	**5,638**	–
		132,269	39,287
Net current (liabilities)/assets		**(74,456)**	12,561
Total assets less current liabilities		**(66,476)**	30,940

CONSOLIDATED BALANCE SHEET (Continued)

As at 31st December 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Capital and reserves			
Share capital	*32*	**26,837**	26,837
Reserves		**(102,626)**	(36,516)
Capital deficiency attributable to equity holders of the Company		**(75,789)**	(9,679)
Minority interests		**(20,980)**	(14,095)
Total capital deficiency		**(96,769)**	(23,774)
Non-current liabilities			
Amount due to a minority shareholder of a subsidiary	*29*	**21,167**	19,829
Amount due to ultimate holding company	*27*	**9,126**	8,549
Convertible loan note	*31*	**–**	26,336
		30,293	54,714
		(66,476)	30,940

The consolidated financial statements on pages 22 to 71 were approved and authorised for issue by the Board of Directors on 6 April 2009 and are signed on its behalf by:–

Lam Ching Kui
Director

Guo Qing Hua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Working capital reserve HK$'000	Convertible note reserve HK$ '000	Share options 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 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)
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)
Total recognised income and expense for the year	–	–	–	(1,275)	–	–	8,744	(82,602)	(75,133)	(17,118)	(92,251)
Special dividends paid	–	–	–	–	–	–	–	(55,553)	(55,553)	–	(55,553)
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 contribution 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 and 1 January 2008	26,837	48,079	6,906	–	4,368	–	–	(95,869)	(9,679)	(14,095)	(23,774)
Loss for the year and total recognised income and expense for the year	–	–	–	–	–	–	–	(66,110)	(66,110)	(6,885)	(72,995)
At 31 December 2008	**26,837**	**48,079**	**6,906**	**-**	**4,368**	**-**	**-**	**(161,979)**	**(75,789)**	**(20,980)**	**(96,769)**

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Loss before taxation	**(72,995)**	(94,733)
Adjustments for:		
Finance costs	**4,735**	2,667
Interest income	**(12)**	(1,042)
Depreciation on property, plant and equipment	**5,890**	7,870
Allowance for inventories	**5,719**	5,351
Decrease in fair value of held-for-trading investments	**22,393**	13,817
Net loss/(gain) on write off/disposal of property, plant and equipment	**5,759**	(1,458)
Gain on deemed disposal of partial investment in a subsidiary *(Note 35)*	**–**	(4,471)
Loss on disposal of subsidiaries *(Note 34)*	**–**	20,460
Gain on disposal of prepaid lease payments	**–**	(1,965)
Gain on disposal of held-for-trading investment	**–**	(7,362)
Share-based payments	**–**	17,857
Amortisation of prepaid lease payments on land use rights	**–**	17
Allowance for bad and doubtful debts	**–**	651
Impairment loss recognised on deposit paid for an investment in a subsidiary	**–**	10,400
Operating cash flows before movements in working capital	**(28,511)**	(31,941)
(Increase)/decrease in inventories	**(6,285)**	14,146
Decrease in trade and bills receivables	**3,394**	9,259
Decrease/(increase) in deposits, prepayments and other receivables	**1,785**	(1,934)
Decrease in trade and bills payables	**(11,996)**	(3,396)
(Decrease)/increase in accruals and other payables	**(10,897)**	3,449
Decrease in retirement benefit obligations	**–**	(2,998)
Net cash used in operating activities	**(52,510)**	(13,415)

Year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Investing activities		
Interest received	12	1,042
Proceeds from disposal of property, plant and equipment	1,219	3,695
Purchase of property, plant and equipment	(2,469)	(7,673)
Purchase of held-for-trading investments		(90,007)
Net proceeds from disposal of subsidiaries *(Note 34)*	–	74,269
Proceeds from disposal of prepaid lease payments	–	5,067
Proceeds from disposal of held-for-trading investments	–	54,711
Net cash (used in)/from investing activities	(1,238)	41,104
Financing activities		
Interest paid	(2,224)	(800)
New trust receipt loans raised	4,272	–
Increase in amount due to ultimate holding company	58,012	–
Increase in amount due to a director	2,167	–
Increase in amount due to a minority shareholder of a subsidiary	18,452	–
Increase in amount due to a related company	402	703
Repayment to a former intermediate holding company	–	(10,000)
Special dividend paid	–	(55,553)
Convertible loan raised	–	28,837
Loan from a minority shareholder of a subsidiary	–	11,016
Net cash from/(used in) financing activities	81,081	(25,797)
Net increase in cash and cash equivalents	27,333	1,892
Cash and cash equivalents at beginning of the year	6,577	4,685
Cash and cash equivalents at end of the year	33,910	6,577
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	39,548	6,577
Bank overdraft	(5,638)	–
	33,910	6,577

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 consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activities of the Company and its subsidiary (collectively referred to as the "Group") are 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$66,110,000 for the year ended 31 December 2008 and had net current liabilities of approximately HK$74,456,000 and capital deficiency attributable to equity holders of the Company of approximately HK$75,789,000 as at 31 December 2008, 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 minority shareholder of a subsidiary has undertaken not to demand the repayment of the balance due from the Group totalling approximately HK$39,619,000 as at 31 December 2008 until the Group is in a financial position to do so; and

(ii) In addition, Wai Chun has provided adequate fund to enable the Group to meet in full its financial obligations when they fall due in the foreseeable future.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 December 2008. 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation ("Int") 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adoption of these new and revised HKFRSs are as follows:

Amendments to HKAS 39 and HKFRS 7-Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held-for-trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term if specified criteria are met. A debt instrument classified as held-for-trading not classified by designation or as available-for-sale not classified by designation may be reclassified as a loan or receivable if the asset meets the definition of a loan or receivable and the entity has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets that are not eligible for classification as loans and receivables, may be transferred from held-for-trading to available-for-sale or to held to maturity (in the case of debt instrument), only in rare circumstances.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above.

The amendments are effective from 1 July 2008. As the Group does not intend to reclassify any of its financial instruments, the amendments have had no impact on these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HK(IFRIC)-INT 11-HKFRS 2–Group and Treasury Share Transactions

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no effect on these consolidated financial statements.

HK(IFRIC)-INT 12-Service Concession Arrangements

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. As the Group currently has no such arrangements, the interpretation has had no effect on these consolidated financial statements.

HK(IFRIC)-INT 14-HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group currently has no defined benefit scheme, the interpretation has had no effect on these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvement to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures-Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HK(IFRIC)-INT 14-HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction (Continued)

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods beginning on or after 1 July 2008.
[5] Effective for annual periods beginning on or after 1 October 2008.
[6] Effective for transfers of assets from customers received on or after 1 July 2009.
[7] Effective for annual periods ending on or after 30 June 2009.

HKAS 1 (Revised)-"Presentation of Financial Statements"

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. This revised standard also requires an entity to include three "statements of financial position" (currently called the "balance sheet") whenever the entity applies an accounting policy retrospectively or makes a retrospective restatement, or when it makes a reclassification. The revised standard does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group expects to adopt HKAS 1 (Revised) on or after 1 January 2009.

HKAS 27 (Revised)-"Consolidated and Separate Financial Statements"

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 Cash Flows Statements, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rate, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 3 (Revised)-"Business Combinations''

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. These changes, include, but are not limited to (i) introducing an option to measure non-controlling interests (currently minority interests) at fair value; (ii) recognising gains or losses from remeasuring to the fair value the interest in the acquiree held by the entity immediately before the business combination, in a step acquisition; (iii) expensing acquisition costs as incurred; (iv) recognising the fair value of contingent considerations at the acquisition date with subsequent changes generally reflected in the consolidated income statement; and (v) separately accounting for pre-existing relationships between the acquirer and acquiree.

The Group expects to adopt HKAS 27 (Revised) and HKFRS 3 (Revised) on or after 1 July 2009. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The directors of the Company are not yet in a position to determine whether HKFRSs (Amendments), HKFRS 1 (Revised) and HKFRS 7 would have a significant impact on how the results and financial position of the Group are prepared and presented.

The directors of the Company are currently assessing the impact of the other new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, 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 include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary). 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 result of subsidiary acquired or disposed of during the year is included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group.

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

Minority interests in the net assets of consolidated subsidiary 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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.

Golf club debentures

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a 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.

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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

Revenue from 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.

Sub-letting income/rental income is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Administrative income is recognised when 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

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. Prepaid lease payments are stated at cost less subsequent amortisation and are provided to write off the cost over the term of the relevant lease, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 exchange 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. Hong Kong dollars) 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 Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are charged as an expense when employees have rendered services entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated 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 or 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 or loss and loans and receivables. 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 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.

Interest 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 as 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.

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 year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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, deposits and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

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 affected.

For all 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 for 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 range of credit period of 30 – 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, impairment loss is recognised in profit or 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.

For financial assets carried at cost, the amount of the 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.

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 profit or 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 or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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 loss was recognised, the previously recognised impairment loss 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. The Group's financial liabilities are generally classified into other financial 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.

Other financial liabilities

Other financial liabilities including trade and bills payables, accruals and other payables, amounts due to ultimate holding company/a director/a minority shareholder of a subsidiary/a related company, trust receipt loans and bank overdraft, are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Convertible loan note

Convertible loan note issued by the Group that contain both liability and conversion option components is 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 instrument.

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 note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan note into equity, is included in equity (convertible note reserve).

In subsequent periods, the liability component of the convertible loan note 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 note reserve until the embedded option is exercised (in which case the balance stated in convertible note 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 accumulated losses. 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 note 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 note using the effective interest method.

Equity instruments

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

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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised as an expense 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 during the vesting period, 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 options reserve will be transferred to accumulated losses.

Impairment losses on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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 an 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.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

The Group's net carrying values of property, plant and equipment as at 31 December 2008 were approximately HK$7,734,000 (2007: HK$18,133,000). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 2 years to 40 years 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 in which the property, plant and equipment 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 intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Allowance for bad and doubtful debts

Management regularly reviews and judges the recoverability and/or age of receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the asset is impaired.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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. Such estimations were based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. No impairment was provided during the year.

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 with reference to the valuation carried out on 31 December 2008 by Roma Appraisals Limited, an independent qualified valuer not connected with the Group. An allowance for inventories of approximately HK$5,719,000 for the year ended 31 December 2008 (2007: HK$5,351,000) was recognised. In making the estimation, the Group considers comparing the inventories being valued to comparable items recently sold in the market. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

6. CAPITAL RISK MANAGEMENT

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 31, 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 of the Company 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 INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Held-for-trading investments	**6,448**	28,841
Loans and receivables (including cash and cash equivalents)	**41,360**	13,344
Financial liabilities		
Other financial liabilities at amoritsed cost	**134,624**	66,659
Convertible loan note	**26,932**	26,336

(b) Financial risk management objectives and policies

The Group's major financial instruments include convertible loan note, trade and bills receivables, deposits and other receivables, held-for-trading investments, bank balances and cash, trade and bills payables, accruals and other payables, trust receipt loans, bank overdraft and amounts due to a related company/ultimate holding company/a minority shareholder of a subsidiary/a director. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

At 31 December 2008, 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 is 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 concentration of credit risk as 37% (2007: 37%) of the total trade receivables was due from the Group's largest customer. However, this customer is with good creditability, the management considers there is no significant credit risk.

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

None of the Group's financial assets are secured by collateral or other credit enhancements.

7. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk

Currency risk

Some of the Group's foreign currency assets, liabilities and transactions are denominated in United States dollars ("USD"), Renminbi ("RMB") and Taiwan New dollars ("TND"). These currencies are not the functional currencies of the group entities to which these balances relate.

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

	Liabilities		Assets	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**17,421**	8,323	**644**	3,721
RMB	**1,339**	300	**670**	534
TND	**1,051**	2	**–**	–
	19,811	8,625	**1,314**	4,255

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

7. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis

The Group is mainly exposed to RMB. Since Hong Kong dollar ("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 4% (2007: 5%) increase or decrease in HK$ against RMB. 4% (2007: 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. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 5% to 4% for the purpose of assessing foreign currency risk. A positive number below indicates a decrease in post-tax loss where HK$ weakening 4% (2007: 5%) against RMB. For a 4% (2007: 5%) strengthen of HK$ against RMB, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	2008 **HK$'000**	2007 HK$'000
Profit or loss	**27**	12

The Group's sensitivity to RMB has increased during the current year mainly due to the increase in RMB denominated bank balances as at 31 December 2008.

In the 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.

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 balances, bills payables and trust receipt loans which carry at prevailing market interest rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the cash flow interest rate risk. The Group's exposure to cash flow interest rate risk is minimal.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate convertible loan note and amounts due to ultimate holding company/a related company. 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.

7. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

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% (2007: 5%) higher/lower:

– post-tax loss for the year ended 31 December 2008 decrease/increase by approximately HK$322,000 (2007: HK$1,442,000) 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 Group had net liabilities and capital deficiency attributable to equity holders of the Company of approximately HK$74,456,000 and HK$75,789,000 respectively as at 31 December 2008. To deal with such impact on liquidity of the Group, the management obtained its ultimate holding company and the minority shareholder of a subsidiary to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future.

The Group currently relies on amount due to ultimate holding company/the minority shareholder of a subsidiary as the significant source of liquidity.

The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

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 INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity 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 HK$'000	181 to 365 days HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying value at 31/12/2008 HK$'000
2008						
Non-derivative financial liabilities						
Trade and bills payables	–	10,176	–	–	10,176	10,176
Accruals and other payables	–	4,509	–	–	4,509	4,509
Trust receipt loans	6.50	4,272	–	–	4,272	4,272
Amount due to ultimate holding company	2.50	58,012	–	10,400	68,412	67,138
Amount due to a director	–	2,167	–	–	2,167	2,167
Amount due to a minority shareholder of a subsidiary	6.75	18,452	–	22,596	41,048	39,619
Amount due to a related company	6.00	1,171	–	–	1,171	1,105
Convertible loan note	12.57	288	29,125	–	29,413	26,932
Bank overdraft	6.00	5,638	–	–	5,638	5,638
		104,685	29,125	32,996	166,806	161,556
2007						
Non-derivative financial liabilities						
Trade and bills payables	–	22,172	–	–	22,172	22,172
Accruals and other payables	–	15,406	–	–	15,406	15,406
Amounts due to a related company	–	703	–	–	703	703
Amount due to a minority shareholder of a subsidiary	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

7. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities are determined as follows:

– The fair value of held-for-trading investments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

– The fair values of other financial assets, financial liabilities (excluding held-for-trading instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

– The convertible loan note contains two components, liability and equity element which present in convertible loan note and convertible note reserve respectively. The fair value of the convertible loan note is carried at amortised cost using the effective interest method. The convertible note reserve represents the conversion option is calculated by the difference between the gross proceeds of the issue of the convertible loan note and the fair value assigned to the liability component.

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 maturities.

8. TURNOVER

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

9. OTHER REVENUE

	2008 HK$'000	2007 HK$'000
Interest income	12	1,042
Subcontracting fee income	166	525
Sub-letting income	83	86
Net gain on disposal of property, plant and equipment	–	1,458
Gain on disposal of prepaid lease payments	–	1,965
Rental income	18	8
Administrative income	800	–
Dividend income	223	–
Others	1,961	668
	3,263	5,752

10. SEGMENT INFORMATION

During the two years ended 31 December 2008 and 2007, the Group was principally engaged in the manufacture and export of athletic, athletic-style leisure footwear and golf shoes. The directors of the Company 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:–

10. SEGMENT INFORMATION (CONTINUED)

For the years ended 31 December:

	North America		Europe		Middle East Asia		Other countries		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	39,092	36,401	6,128	13,173	30,654	–	6,606	18,506	82,480	68,080
Results										
Segment results	(1,410)	(12,814)	(1,513)	(3,633)	(7,569)	–	(1,631)	(11,210)	(12,123)	(27,657)
Unallocated revenue									3,263	5,752
Unallocated expenses									(37,007)	(37,317)
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									(22,393)	(13,817)
Gain on disposal of held-for-trading investments									–	7,362
Impairment loss recognised on deposit paid for an investment in a subsidiary									–	(10,400)
Finance costs									(4,735)	(2,667)
Loss before taxation									(72,995)	(94,733)
Taxation									–	–
Loss for the year									(72,995)	(94,733)

There were no sales between the geographical segments during the two years ended 31 December 2008 and 2007.

	The People's Republic of China ("PRC") and Hong Kong As at 31 December	
	2008	2007
	HK$'000	HK$'000
Segment assets	26,245	63,650
Unallocated corporate assets	39,548	6,577
Total assets	65,793	70,227
Segment liabilities	14,685	37,578
Unallocated corporate liabilities	147,877	56,423
Total liabilities	162,562	94,001

Other information

Capital expenditure, depreciation and amortisation and non-cash expenses including allowance for inventories and allowance for bad and doubtful debts are all located in PRC and Hong Kong.

11. 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 had 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 had 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. Full provision had been made by the Company in respect of its share of the deposit.

12. FINANCE COSTS

	2008 **HK$'000**	2007 HK$'000
Interest on:		
– bank loan and overdrafts wholly repayable within five years	**625**	360
– short-term loan from ultimate holding company	**1,017**	–
– short-term loan from a related company	**5**	–
Imputed interest on non-current interest-free loan from:		
– ultimate holding company	**577**	–
– a minority shareholder of a subsidiary	**1,338**	–
Effective interest expenses on convertible loan note (Note 31)	**1,173**	2,307
	4,735	2,667

13. LOSS BEFORE TAXATION

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

	2008 HK$'000	2007 HK$'000
Auditors' remuneration	464	500
Cost of inventories recognised as an expenses (excluding staff costs and depreciation on property, plant and equipment)	68,915	63,019
Staff costs, including directors' emoluments and retirement benefit costs (Notes 14 & 15)	32,979	42,408
Net exchange loss	739	504
Depreciation on property, plant and equipment	5,890	7,870
Allowance for inventories (included in cost of sales)	5,719	5,351
Amortisation of prepaid lease payments on land use rights	–	17
Allowance for bad and doubtful debts	–	651
Net loss/(gain) on write off/disposal of property, plant and equipment	5,759	(1,458)

14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages and salaries	27,078	21,793
Dismissal compensation	3,309	–
Retirement benefit costs		
– defined contribution retirement plans (Note 33)	866	852
Other employee benefits	1,726	1,906
Share-based payments	–	17,857
	32,979	42,408

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.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2008 HK$'000	2007 HK$'000
Fees	**360**	330
Other emoluments:		
Basic salaries, other allowance and benefits in kind	**3,699**	1,349
Retirement benefit costs		
– defined contribution retirement plans	**19**	11
Share-based payments	**–**	17,857
	3,718	19,217
Total emoluments	**4,078**	19,547

(b) Directors' emoluments

The emoluments paid or payable to each of the 8 (2007: 20) 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$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive					
Lam Ching Kui	–	2,607	12	–	2,619
Alexander Yueh[1]	–	587	7	–	594
Liu Qun[2]	–	371	–	–	371
Chen Wei[3]	–	134	–	–	134
Independent Non-executive					
Shaw Lut, Leonardo	120	–	–	–	120
Chan Chun Wai, Tony	120	–	–	–	120
Frank Hu[4]	106	–	–	–	106
Geng Ying[5]	14	–	–	–	14
Total for 2008	360	3,699	19	–	4,078

1 Resigned on 18 July 2008
2 Appointed on 10 June 2008 and resigned on 13 February 2009
3 Resigned on 8 May 2008
4 Resigned on 19 November 2008
5 Appointed on 19 November 2008

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Directors' emoluments (Continued)

		Other emoluments			
	Directors' fees HK$'000	Basic salaries, other allowance and benefits in kind HK$'000	Defined contribution 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
Chen 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

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Directors' emoluments (Continued)

No director waived or agreed to waive any emoluments during the two years ended 31 December 2008 and 2007.

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, three (2007: four) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2007: one) highest paid individuals were as follows:

	2008 **HK$'000**	2007 HK$'000
Basic salaries, other allowance and benefits in kind	**1,173**	533
Retirement benefit costs		
– defined contribution retirement plans	**16**	6
	1,189	539

The emoluments of the aforementioned two (2007: one) highest paid individuals were within the band of Nil to HK$1,000,000 for both years.

No emoluments were paid to the directors of the Company 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 2008 and 2007.

16. TAXATION

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

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction. However, no such tax provided for both years.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

16. TAXATION (CONTINUED)

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

	2008 HK$'000	2007 HK$'000
Loss before taxation	**(72,995)**	(94,733)
Tax at the domestic income tax rate of 16.5% (2007:17.5%)	**(12,044)**	(16,578)
Tax effect of expenses not deductible for tax purpose	**18,677**	28,236
Tax effect of income not taxable for tax purpose	**(14,123)**	(16,933)
Deferred tax asset in respect of tax losses not recognised	**7,490**	5,275
Taxation for the year	**–**	–

At 31 December 2008, the Group has unused tax losses of approximately HK$79,054,000 (2007: HK$33,662,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams of the Group. The losses may be carried forward indefinitely.

17. DIVIDENDS

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date.

In 2007, 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.

18. 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$66,110,000 (2007: HK$83,877,000) and the weighted average number of ordinary shares of 10,734,904,480 (2007: 10,734,904,480), as adjusted for the share subdivision (note 32) in issue during the year.

No diluted loss per share had been presented for the years ended 31 December 2008 and 2007 as the effect of any dilution arising from the share conversion is anti-dilutive.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings in Hong Kong HK$'000	Leasehold improve– ments, furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 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 and 1 January 2008	–	34,234	202,360	3,929	240,523
Additions	–	1,007	1,462	–	2,469
Disposals/written off	–	–	(112,827)	(173)	(113,000)
At 31 December 2008	–	35,241	90,995	3,756	129,992
ACCUMULATED DEPRECIATION					
At 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 and 1 January 2008	–	30,602	189,285	2,503	222,390
Charge for the year	–	1,429	4,128	333	5,890
Eliminated on disposals/written off	–	–	(105,849)	(173)	(106,022)
At 31 December 2008	–	32,031	87,564	2,663	122,258
NET CARRYING VALUES					
At 31 December 2008	–	3,210	3,431	1,093	7,734
At 31 December 2007	–	3,632	13,075	1,426	18,133

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

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

20. PREPAID LEASE PAYMENTS

	2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	–	3,119
Amortisation charge for the year	–	(17)
Disposals	–	(3,102)
Carrying amount at 31 December	–	–

21. 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 2008 and 2007.

22. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	9,567	4,556
Work-in-progress	224	1,658
Finished goods	194	3,205
	9,985	9,419

23. TRADE AND BILLS RECEIVABLES

	2008 HK$'000	2007 HK$'000
Trade receivables	1,619	1,574
Less: Allowance for bad and doubtful debts	(1,570)	(1,570)
	49	4
Bills receivables	256	3,695
Total trade and bills receivables	305	3,699

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2008 HK$'000	2007 HK$'000
0-30 days	–	4
31-60 days	–	–
61-90 days	–	–
Over 90 days	49	–
Total	49	4

Included in the Group's trade receivables as at 31 December 2008 were debtors with an aggregate carrying amount of approximately HK$49,000 (2007: Nil) 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 Group does not hold any collateral over these balances. The average age of these receivables was 240 days (2007: Nil).

The Group's neither past due nor 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:

	2008 HK$'000	2007 HK$'000
Over 90 days	49	–

Movement in the allowance for bad and doubtful debts:

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	1,570	919
Allowance recognised on receivables	–	651
Balance at end of the year	1,570	1,570

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$1,570,000 (2007: HK$1,570,000) which have in severe financial difficulties. The Group does not hold any collateral over these balances.

24. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments comprise:

	2008 HK$'000	2007 HK$'000
Equity securities listed in Hong Kong	**6,448**	28,841

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

25. BANK BALANCES AND CASH/BANK OVERDRAFT

Bank balances and cash

Bank balances carry interest at market rates which range from 0.01% to 4% (2007: 0.01% to 3.6%) per annum.

Bank overdraft/Trust receipt loans

Bank overdraft and trust receipt loans are unsecured and carries interest at market rates which was prime lending rate and Hong Kong dollar oversight inter-bank rate plus 1% per annum respectively (2007: Nil).

26. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2008 HK$'000	2007 HK$'000
0-30 days	**1**	7,454
31-60 days	**17**	337
61-90 days	**141**	104
Over 90 days	**5,043**	2,563
	5,202	10,458
Bills payable	**4,974**	11,714
	10,176	22,172

27. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount classified under current liabilities is unsecured, interest-bearing at a range from 0%-3.23% and repayable on demand.

The amount classified under non-current liabilities is unsecured, interest-free and will not be repayable until 31 December 2010.

28. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest-free and repayable on demand.

29. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount classified under current liabilities is unsecured, interest-free and repayable on demand.

The amount classified under non-current liabilities is unsecured, interest-free and will not be repayable before the year ending 31 December 2009.

30. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, interest-bearing at 6% (2007: interest-free) and repayable on demand.

31. 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$0.01345 (2007: HK$0.0538), as adjusted for the share subdivision 1:4 during the year (note 32). 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%.

31. CONVERTIBLE LOAN NOTE (CONTINUED)

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

	2008 **HK$'000**	2007 HK$'000
Carrying amount at 1 January	**26,336**	–
Issue of Convertible Note	**–**	28,837
Recognition of equity component	**–**	(4,368)
Interest charge (Note 12)	**1,173**	2,307
Interest accrued	**(577)**	(440)
Carrying amount at 31 December	**26,932**	26,336
Analysed for reporting purposes as:		
Current asset	**26,932**	–
Non-current asset	**–**	26,336
	26,932	26,336

32. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1 January 2007	1,000,000,000	100,000
Share Subdivision	9,000,000,000	–
Ordinary shares of HK$0.01 each at 31 December 2007 and 1 January 2008	10,000,000,000	100,000
Share Subdivision	30,000,000,000	–
Ordinary shares of HK$0.0025 each at 31 December 2008	40,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 January 2007	268,372,612	26,837
Share subdivision	2,415,353,508	–
Ordinary shares of HK$0.01 each at 31 December 2007 and 1 January 2008	2,683,726,120	26,837
Share subdivision	8,051,178,360	–
Ordinary shares of HK$0.0025 each at 31 December 2008	10,734,904,480	26,837

32. SHARE CAPITAL (CONTINUED)

Pursuant to the resolutions passed at the Extraordinary General Meeting held on 18 July 2008 (2007: 25 May 2007), the Company subdivided each of the existing and unissued shares of HK$0.01 (2007: HK$0.1) each in the share capital of the Company into 4 shares of HK$ 0.0025 (2007: 10 shares of HK$0.01) each. The Share Subdivision took place on 21 July 2008 (2007: 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.

33. RETIREMENT BENEFITS OBLIGATIONS

Defined contribution retirement 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$866,000 (2007: HK$ 852,000) represents contributions payable to the retirement schemes by the Group.

34. 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 Limited ("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 disposal of	(1,286)
	74,269

The subsidiaries disposed of in the year ended 31 December 2007 had no contribution to the Group's turnover and loss in the year ended 31 December 2007.

35. 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 approximately HK$3,250,000. As a result, the Company's equity interests in Nority Limited decreased from 100% to 65%.

For the year ended 31 December 2007, gain arising from this deemed disposal of partial investment in Nority Limited and effect on minority interests amounted to approximately HK$4,471,000.

36. OPERATING LEASES

The Group as lessee

	2008 HK$'000	2007 HK$'000
Minimum lease payments in respect of rented premises paid under operating leases during the year	**7,526**	4,667

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

	2008 HK$'000	2007 HK$'000
Within one year	**4,109**	6,500
In the second to fifth year inclusive	**1,957**	5,386
	6,066	11,886

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

The Group as lessor

The Group leased its golf club membership. The golf club membership rental income earned during the year ended 31 December 2008 was HK$18,000 (2007: HK$7,500). The golf club membership is expected to generate rental yields of 7% (2007: 3%) on an ongoing basis. The asset held has committed tenant for two years with early termination right.

The Group also contracted with tenant for administrative income earned during year ended 31 December 2008 was HK$800,000 (2007: Nil). The lease held has committed tenant for two years with early termination right.

At the balance sheet date, the Group had contracted with tenants for the future minimum receipts within one year amounted to approximately HK$ 212,000 (2007: Nil).

37. MAJOR NON-CASH TRANSACTION

As explained in note 35, subscription shares of Nority Limited were allotted and issued to Micon at a consideration of HK$3,250,000 for the year ended 31 December 2007. This consideration was settled through current account with Micon.

38. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties. The transactions were carried out at estimated market prices determined by the directors of the Company.

Related parties	Nature of transactions	2008 HK$'000	2007 HK$'000	Interested director
Ultimate holding Company	Paid interest expenses	**1,017**	–	Lam Ching Kui
Fellow subsidiary of Micon	Paid rental expenses	**2,981**	2,719	N/A
Wai Chun Group Holdings Ltd	Received administrative income	**800**	–	Lam Ching Kui
	Paid interest expenses	**5**	–	
Wai Chun Holdings Group Ltd	Paid rental expenses	**–**	703	Lam Ching Kui

(b) The remuneration of directors of the Company and other members of key management during the year was as follows:

	2008 HK$'000	2007 HK$'000
Short-term benefits	**5,232**	2,212
Post-employment benefits	**35**	17
Share-based payments	**–**	17,857
	5,267	20,086

(c) 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.

39. 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.

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.

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme (Continued)

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 of the Company at their discretion provided that it shall not be less than the higher of:

(a) the closing price of the shares as stated in the 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.

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme (Continued)

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 of the Company 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 2007. The estimated fair values of the options granted on those dates are approximately HK$17,857,000.

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 was 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 had been adjusted based on management's best estimate.

Approximately HK$17,857,000 of employee benefit expense had been included in the consolidated income statement for 2007, the corresponding amount of which had been credited to share options 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 options reserve was transferred to accumulated losses.

No share option was granted or outstanding during the year ended 31 December 2008.

40. SUMMARISED BALANCE SHEET OF THE COMPANY

	NOTES	**2008** **HK$'000**	2007 HK$'000
Non-current assets			
Investment in a subsidiary		**–**	10,500
Plant and equipment		**2,140**	2,335
		2,140	12,835
Current assets			
Prepayments and other receivables		**1,068**	2,794
Held-for-trading investments		**6,448**	28,841
Bank balances and cash		**38,834**	1,893
		46,350	33,528
Current liabilities			
Accruals and other payables		**1,538**	3,895
Amount due to a related company		**1,105**	703
Amount due to ultimate holding company		**58,012**	–
Amount due to a director		**2,167**	–
Bank overdraft – unsecured		**142**	–
Convertible loan note		**26,932**	26,336
		89,896	30,934
Net current (liabilities)/assets		**(43,546)**	2,594
Total assets less current liabilities		**(41,406)**	15,429
Capital and reserves			
Share capital	*(32)*	**26,837**	26,837
Reserves	*(41)*	**(77,369)**	(19,957)
Total (capital deficiency)/equity		**(50,532)**	6,880
Non-current liability			
Amount due to ultimate holding company		**9,126**	8,549
		(41,406)	15,429

41. RESERVES

The Company

	Share premium HK$'000	Other reserve HK$'000	Convertible note reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	48,079	61,083	–	–	(3,425)	105,737
Recognition of equity component of 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 and 1 January 2008	48,079	62,934	4,368	–	(135,338)	(19,957)
Loss for the year	–	–	–	–	(57,412)	(57,412)
At 31 December 2008	48,079	62,934	4,368	–	(192,750)	(77,369)

42. PARTICULARS OF A SUBSIDIARY OF THE COMPANY

Name of company	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportion of ownership interest directly held by the Company	Principal activities
Nority Limited	Hong Kong/PRC	Voting class "A"	Voting class "A" HK$100	65%	Manufacture and export of footwear
		Non-voting class "B" (a)	Non-voting class "B" HK$12,000,000	100%	

(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				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
Turnover	**82,480**	68,080	132,418	297,638	259,472
Loss before taxation	**(72,995)**	(94,733)	(44,268)	(59,064)	(30,303)
Taxation	**–**	–	(9,645)	6,678	1,287
Loss for the year	**(72,995)**	(94,733)	(53,913)	(52,386)	(29,016)
Minority interests	**6,885**	10,856	3,122	412	(609)
Loss for the year attributable to equity holders of the Company	**(66,110)**	(83,877)	(50,791)	(51,974)	(29,625)

ASSETS AND LIABILITIES

	As at 31st December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
Total Assets	**65,793**	70,227	146,696	221,933	281,453
Total Liabilities	**(162,562)**	(94,001)	(53,029)	(72,577)	(71,691)
	(96,769)	(23,774)	93,667	149,356	209,762
Minority interests	**20,980**	14,095	(1,791)	(7,413)	(7,825)
Capital deficiency attributable to equity holders of the Company	**(75,789)**	(9,679)	91,876	141,943	201,937