Wai Chun Mining

Industry Group

2009 Annual Report

WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lam Ching Kui *(Chairman)*
Guo Qing Hua *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Chun Wai, Tony
Shaw Lut, Leonardo
Wong Wai Man, Raymond

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Guo Qing Hua

COMPANY SECRETARY

Yu Man To, Gerald *B.Bus, MBA, CPA (Aust.), FCPA*

AUDIT COMMITTEE

Chan Chun Wai, Tony *(Chairman)*
Shaw Lut, Leonardo
Wong Wai Man, Raymond

REMUNERATION COMMITTEE

Wong Wai Man, Raymond *(Chairman)*
Chan Chun Wai, Tony
Shaw Lut, Leonardo
Guo Qing Hua

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

Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

0660

COMPANY WEBSITE

www.0660.hk

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 subsidiaries (collectively the "Group") for the year ended 31 December 2009.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 December 2009, the Group recorded a turnover of approximately HK$13,137,000, representing a significant decrease of 84.1% when compared to 2008. The decrease in turnover is attributable to a drop in demand from overseas consumers, a direct impact of the recent financial tsunami. However, the Group recorded a gross profit and gross profit margin of HK$309,000 and 2.4% respectively, a significant increase from a gross loss and gross loss margin of HK$6,215,000 and 7.5%% respectively recorded in 2008. Operating expenses decreased by 41.8% from HK$42,915,000 recorded in 2008 to HK$24,964,000 in 2009. The decrease is mainly attributable to the decrease in turnover, resulting in a decrease in the related variable operating expenses.

Held-for-trading investments contributed a gain of HK$11,334,000 to the results of the Group during the year, of which mark-to-market adjustment recorded a gain of HK$9,866,000 from a loss of HK$22,393,000 recorded in 2008, while gain on disposal of held-for-trading investments contributed HK$1,468,000 to the results. Loss attributable to shareholders of the Company reduced significantly from HK$66,110,000 in 2008 to HK$22,743,000 this year.

Financial Resources and Position

As at 31 December 2009, total borrowings amounted to HK$114,393,000, representing a decrease of 19.7% compared to 2008. The decrease is mainly attributable to the conversion of the convertible loan note and the repayment of the trust receipt loan and bank overdraft totaling HK$36,842,000 in 2008 during the year. Other than the convertible loan note and amount due to a related company which bear interest at fixed rates, a portion of the amount due to ultimate holding company, the bank overdraft and the trust receipt loans which bear interest at floating rates, other borrowings are interest free.

Cash and cash equivalents amounted to HK$11,010,000 as at 31 December 2009 which are mostly denominated in Hong Kong Dollars and United States Dollars. As the Group's businesses are conducted in Hong Kong, therefore the Group does not expect to be exposed to any material foreign exchange risks.

The Group had no assets pledged or any material contingent liabilities as at 31 December 2009.

The Group ended the year with a current ratio of 0.46 times and a gearing ratio (net debt to total assets) of 255.7%.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2009.

Convertible Loan Note Conversion

In September 2009, the HK$28,836,000, 2% convertible loan note issued in 2007 was fully converted at the conversion price of HK$0.01345 per share into 2,144,000,000 ordinary shares.

Open Offer

In February 2010, the Company completed an open offer with an assured allotment of one offer share at HK$0.03 per share for every 5 existing shares held. The Company issued 2,575,780,896 shares under the open offer raising net proceeds of approximately HK$76.2 million. The net proceeds were used to: (i) pay the consideration for the acquisition of the 51% equity interest in Weifang Century-light Biology Science Co., Ltd. ("Weifang Century-light") and its subsidiaries (details of which can be found under the heading "New Acquisition" in the business review section of this annual report) amounting to approximately HK$11.7 million; (ii) partially reduce the amount due to ultimate holding company amounting to approximately HK$41 million and (iii) the remaining balance of approximately HK$23.5 million as general working capital.

BUSINESS REVIEW

The Group is principally engaged in the trading, manufacturing and exporting of athletic and athlete-style footwear, working shoes, safety shoes, golf shoes, other functional footwear and bags. The detrimental impact of the recent financial tsunami has been enormous on the Group's footwear manufacturing business and in order to mitigate such impact, the Group has, leveraging on its existing customer base, shifted its footwear business from manufacturing to more trading focus. As a result of this shift, the Group recorded a gross profit in 2009, a significant improvement from the gross loss recorded in 2008.

With reference to the announcement issued by the Company date 15 April 2010 regarding possible disposal of the Group's footwear manufacturing business, the Directors believes that since the footwear manufacturing business has sustained continued losses in recent years, the disposal of which would be beneficial to the Group. The disposal would allow the Group to focus on the higher margin footwear trading business as well as to develop the business of manufacturing and sale of modified starch and other biochemical products.

During the year, the Group diversified into the starch and corn-based products business in the People's Republic of China (the "PRC") by acquiring a company that is principally engaged in the selling and manufacturing of modified starch and other biochemical products (變性澱粉及其他生化產品) in the PRC (details of which can be found under the heading "New Acquisition" below). However, as the acquisition only completed in January 2010, there was no contribution from the new acquisition in 2009.

New Acquisition

During the year, the Group acquired a 51% equity interest in Weifang Century-light, a limited liability company established in the PRC at an aggregate consideration of RMB10,300,000 (equivalent to HK$11,704,545). Weifang Century-light is principally engaged in the selling and manufacturing of modified starch and other biochemical products in the PRC. Stated as a clause in the acquisition agreement, the vendor has agreed to buy back Weifang Century-light at the same consideration paid for by the Group should the aggregate net profit after taxation for the year ended 31 December 2010 be less than RMB8 million (equivalent to HK$9.1 million). Weifang Century-light shall be accounted for and consolidated as a subsidiary of the Company in 2010.

Prospects

The Company believes that the worst impact of the financial tsunami is now behind us and the global economy would continue to improve, restoring consumer confidence thus stimulating overseas demand for consumer goods such as footwear products.

Due to the continued increase in food consumption and animal feed demand in developing countries, the Group expects to experience substantial growth in sales of modified starch, biochemical products and animal feed addictives. With the new factory construction completed and new machineries installed in October 2009, the production rate increased significantly and also enabled Weifang Century-light to achieve a higher profit margin.

In order to maximize profitability and returns to the Company and the shareholders in the long run, the Company shall continue to seek new opportunities to expand its existing businesses or diversify into other industries.

OTHER INFORMATION

Employees

As at 31 December 2009, the Group had a total of 10 employees, the majority of whom are situated in Hong Kong. In addition to offering competitive remuneration packages to employee discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

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

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

APPRECIATION

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

Lam Ching Kui
Chairman

Hong Kong, 15 April 2010

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lam Ching Kui, aged 51, 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 is an indirect substantial shareholder of the Company and has been the Chairman and an Executive Director of the Company since December 2007. Mr. Lam is responsible for the overall strategic planning of the Group. Mr. Lam is also the chairman and an executive director of Wai Chun Group Holdings Limited, a public listed company in Hong Kong.

Mr. Guo Qing Hua, aged 47, 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 postgraduate 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. Mr. Guo has been the Chief Executive Officer and an Executive Director of the Company since February 2009. Mr. Guo is also the chief executive officer and an executive director of Wai Chun Group Holdings Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tony Chan Chun Wai, aged 38, 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, Oriental City Group Holdings Limited and Honbridge Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited, (the “Stock Exchange”). He is also an independent non-executive director of China Nutrifruit Group Limited, a company listed in NYSE AMEX. Mr. Chan has been an Independent non-executive Director of the Company since May 2007.

Mr. Shaw Lut, Leonardo, aged 44, is the deputy head of 華頓綜合經濟研究所 (Huadun Economic Institute), the director of 行政及公務人員研修基金 (Administrator and Official Study Fund), the vice director of 國務院發展研究中心東方公共管理綜合研究所專家委員會 (the Expert Committee of the Eastern Public Management Institute of the Development Research Centre of State Council). Mr. Shaw graduated from Shanghai Fudan University and was a teacher and researcher at Fudan University. Mr. Shaw is currently a committee member of All-China Youth Federation, the deputy chairman of Beijing United Youth Association and the deputy director of Shanghai Economy Magazine. Mr. Shaw has been an Independent non-executive Director of the Company since February 2007. Mr. Shaw is also an Independent non-executive director of Wai Chung Group Holdings Limited.

Mr. Wong Wai Man, Raymond, aged 59, holds a Doctor's degree in Business Administration in the University of Newcastle, Australia. He also holds two Bachelor degrees of Laws in the PRC and UK respectively and has been awarded five Master degrees in Comparative Law, Chinese Laws, Management, Information Systems and Business Administration from universities in U.K., Hong Kong and the PRC. He has served the Immigration Department of the Hong Kong Special Administrative Region for over 35 years. He joined the Department in May 1972 and was the Assistant Director of the Immigration Department in charge of development and management of information systems and related matters from 2002 till October 2007 when he retired. He was also the Chairman of the IT Division of the Hong Kong Institution of Engineers, 2006/07 session. He has been the part-time lecturer at the Chinese University of Hong Kong since 1998 and the Visiting Professor of the Jiaotung University in Shanghai, the PRC, since March 2007. Mr. Wong has been an Independent non-executive Director of the Company since November 2009.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding and the principal activities of its subsidiaries are set out in note 1 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.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group at that date are set out in the financial statements on pages 23 to 67.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

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 26.

CAPITAL DEFICIENCY

At 31 December 2009, details of the Company's capital deficiency, calculated in accordance with the applicable statutory requirements under the laws of the Cayman Islands is set out on pages 65 and 66.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2009 is set out on page 68.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

DIRECTORS

Executive Directors

Mr. Lam Ching Kui *(Chairman)*	
Mr. Guo Qing Hua *(Chief Executive Officer)*	(appointed on 13 February 2009)
Mr. Liu Qun *(Chief Executive Officer)*	(resigned on 13 February 2009)

Independent non-executive Directors

Mr. Chan Chun Wai	
Ms. Geng Ying	(resigned on 30 November 2009)
Mr. Shaw Lut, Leonardo	
Mr. Wong Wai Man, Raymond	(appointed on 30 November 2009)

The biographical details of the Directors of the Company are set out on page 6 of this Annual Report.

In accordance with Article 91 of the Articles of Association of the Company, Mr. Wong Wai Man, Raymond who was appointed after the annual general meeting of the Company held on 12 May 2009 shall hold office until the AGM and shall be eligible for re-election at the forthcoming Annual General Meeting ("AGM").

In accordance with Article 99 of the Articles of Association of the Company, Mr. Chan Chun Wai, Tony and Mr. Shaw Lut, Leonardo shall retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

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 by giving not less than one months' notice in writing to the other party.

Mr. Wong Wai Man, Raymond, an Independent non-executive Director has entered into a service agreement with the Company for a term of two years from the date of his appointment, which can be terminated by either party giving not less than one month notice in writing to the other party. Each of the Independent non-executive Directors is subject to the provisions for retirement by rotation and re-election at the AGM 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 14 to the financial statements.

All the current Independent non-executive Directors 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 AGM. Other emoluments are determined by the Board with reference to the recommendations from the Remuneration Committee taking into account the directors' duties, responsibilities and performance and the results of the Group.

Interests in Contracts

Other than as disclosed in note 33 to the financial statements, there are no contract of significance to which the Company, its holding company, fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Competing Business

None of the Directors had any interests in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), during the year and up to the date of this report.

Directors' Interests or Short Positions in Shares and Underlying Shares

As at 31 December 2009, the interests and short positions of the Directors and chief executive in the shares of the Company (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")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Long Positions

Name of Director	Capacity	Number of Shares Held	Approximate percentage of shareholding
Lam Ching Kui	Interests of controlled corporations	9,660,064,320	62.51%

Mr. Lam Ching Kui is the beneficial owner of Chinese Success Limited, the major shareholder holding 62.51% of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2009, 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.

Directors' Rights to Acquire Shares

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of Shares Held	Approximate percentage of shareholding
Chinese Success Limited	Beneficial owner	9,660,064,320	62.51%
Wai Chun Investment Fund	Interests of controlled corporations	9,660,064,320	62.51%

Mr. Lam Ching Kui is the beneficial owner of Chinese Success Limited, the major shareholder holding 62.51% of the issued share capital of the Company.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2009, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Short positions in Shares and underlying Shares in the Company

As at 31 December 2009, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares of the Company.

Other Persons

As at 31 December 2009, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

Share Option Scheme

Pursuant to a share option scheme adopted by the shareholders of the Company on 10 June 2003 (the "SOS"), the Company may, at their discretion, invite full-time employees of the Group, including Directors of the Company and its subsidiaries, and any suppliers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for Shares. The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS will remain in force for a period of 10 years commencing on 10 June 2003.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the date of approval of the SOS without prior approval from the Company's shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the SOS must be taken up within 28 days of the date of grant, upon payment of HK$10.00 per grant.

As at 31 December 2009, no share option was granted under the SOS and no share option was lapsed or cancelled during the year.

CONNECTED TRANSACTION

On 8 December 2008, the Group 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 services provided in the premises at Rooms 4917-4932, 49th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong for a period of 22 months commencing 1 September 2008.

Mr. Lam Ching Kui indirectly owns and controls approximately 62.51% 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 which are subject to the reporting and announcement requirements but are exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the year ended 31 December 2009, the Group has received a total administrative services income of HK$2,400,000 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 transaction and in their opinion, the transaction is:

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

(2) on normal commercial terms; and

(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 the auditor of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 100% of total turnover and sales to the largest customer accounted for approximately 44.7%. The five largest suppliers of the Group in aggregate accounted for about 100% of its operating costs for the year. Purchases from the largest supplier accounted for about 44.9% of its operating costs. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's Share capital) had any interest in the Group's five largest customers or suppliers.

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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

EMOLUMENT POLICY

As at 31 December 2009, the Group had a total of 10 employees, the majority of whom are situated in Hong Kong. In addition to offering competitive remuneration packages to employee discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

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

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

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes is set out under the heading "Share Option Schemes" in this report.

CORPORATE GOVERNANCE

Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2009 have been audited by SHINEWING (HK) CPA Limited ("SHINEWING"). SHINEWING will retire at the conclusion of the forthcoming AGM of the Company. The Board has resolved to propose the appointment of HLM & Co. as the new auditor of the Company and accordingly, an ordinary resolution will be submitted to the forthcoming AGM of the Company to appoint HLM & Co as the auditor of the Company.

On behalf of the Board

Lam Ching Kui
Chairman

Hong Kong, 15 April 2010

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgment so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices. Amid the latest amendments to the Listing Rules which became effective on 1 January 2009, the Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company complied with the code provisions as set out in the Code throughout the year ended 31 December 2009.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this annual report, the Board comprises five members as follows:

Executive Directors

Mr. Lam Ching Kui *(Chairman)*
Mr. Guo Qing Hua *(Chief Executive Officer)*

Independent non-executive Directors

Mr. Chan Chun Wai
Mr. Shaw Lut, Leonardo
Mr. Wong Wai Man, Raymond

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.

The Board, headed by the Chairman, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

With the support of the Chief Executive Officer and the management team, 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.

The Chief Executive Officer is responsible for day-to-day management of the Company's operations, financial management and the effective implementation of the overall strategies and initiatives adopted by the Board.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

During the year ended 31 December 2009, 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.

Each Independent Non-executive Director has confirmed, in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules that he is independent of the Company and the Company also considers that they are independent.

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of the Board, senior management and shareholders;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Appointment/re-election of removal of directors

The appointment of all 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 2009, the Board held 4 regular board meetings. In addition, board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are usually attended by Executive Directors only. 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 *(Chairman)*	4/4
Mr. Guo Qing Hua *(Chief Executive Officer)* (appointed on 13 February 2009)	4/4
Mr. Liu Qun *(Chief Executive Officer)* (resigned on 13 February 2009)	0/4
Independent Non-executive Directors	
Mr. Shaw Lut, Leonardo	4/4
Mr. Chan Chun Wai, Tony	4/4
Ms. Geng Ying (resigned on 30 November 2009)	4/4
Mr. Wong Wai Man, Raymond (appointed on 30 November 2009)	0/4

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. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

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 Company has set up a number of committees of the Board, including the Remuneration Committee and the Audit Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprises one Executive Director and three Independent Non– executive Directors. Mr. Wong Wai Man, Raymond is the Chairman of the Remuneration Committee.

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 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 2009, the Remuneration Committee held 3 meetings, with attendance record as follows:

Name of Director	**Number of meetings attended/held**
Mr. Chan Chun Wai, Tony	3/3
Ms. Geng Ying (resigned on 30 November 2009)	2/3
Mr. Guo Qing Hua *(Chief Executive Officer)* (appointed on 13 February 2009)	3/3
Mr. Liu Qun *(Chief Executive Officer)* (resigned on 13 February 2009)	0/3
Mr. Shaw Lut, Leonardo	3/3
Mr. Wong Wai Man, Raymond (appointed on 30 November 2009)	1/3

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 Mr. Chan Chun Wai, Tony, Mr. Shaw Lut, Leonardo and Mr. Wong Wai Man, Raymond, all of whom are Independent Non-executive Directors. Mr. Chan Chun Wai, Tony is the Chairman of the audit Committee.

The Audit Committee reports directly to the Board and reviews financial statements and internal control, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor to discuss various accounting issues, and reviews the effectiveness of internal controls. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

During the year ended 31 December 2009, the Audit Committee held 3 meetings, with attendance record as follows:

Name of Director	**Number of meetings attended/held**
Mr. Chan Chun Wai, Tony	3/3
Ms. Geng Ying (resigned on 30 November 2009)	2/3
Mr. Shaw Lut, Leonardo	3/3
Mr. Wong Wai Man, Raymond (appointed on 30 November 2009)	1/3

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 December 2008 and the interim report for the months ended 30 June 2009 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 2009 audit and recommended the Board their re-appointment in 2010 at the forthcoming AGM.

The Group's results and financial statements for the year ended 31 December 2009 have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2009.

EXTERNAL AUDITOR

The external auditor of the Company is SHINEWING (HK) CPA Limited. SHINEWING provided services in respect of the audit of Company's financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2009.

The total fees charged by SHINEWING in respect of audit services for the year ended 31 December 2009 amounted to HK$428,000.

Non-audit service provided by SHINEWING during the year related to professional services rendered in connection with the major transaction circular on the acquisition of 51% equity interests in Weifang Century-light Biology Science Company Limited amounted to HK$100,000.

DIRECTORS' RESPONSIBILITY IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge that their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 21 to 22 of this Annual Report.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

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 2009, 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 controls deficiencies that may affect the shareholders of the Company have come to the attention of the Audit Committee or the Board. They considered that the system had effectively safeguarded the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

SHAREHOLDERS COMMUNICATION

The Directors are aware of the importance of maintaining good relations and communications with shareholders. The Company uses a range of communication tools, such as the AGM, the annual report, the interim report, various notices and announcements and circulars to ensure its shareholders are kept well informed of key business imperatives. 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 is maintained to disseminated Company's announcements and other relevant financial and non-financial information electronically on a timely basis through the website of the Company, www.0660.hk and the Stock Exchange, www.hkex.com.hk.

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
偉俊礦業集團有限公司
(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 subsidiaries (collectively referred to as the "Group") set out on pages 23 to 67, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 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$40,438,000 and capital deficiency attributable to owners of the Company of approximately HK$66,098,000 as at 31 December 2009. The Group had incurred loss attributable to owners of the Company for the year ended 31 December 2009 amounted to approximately HK$22,743,000. 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
Practising Certificate Number: P03224

Hong Kong
15 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Turnover	*(8)*	**13,137**	82,480
Cost of sales		**(12,828)**	(88,695)
Gross profit (loss)		**309**	(6,215)
Other revenue	*(9)*	**5,793**	3,263
Selling expenses		**–**	(5,908)
Administrative expenses		**(24,964)**	(37,007)
Other expenses		**(9,288)**	–
Increase (decrease) in fair value of held-for-trading investments		**9,866**	(22,393)
Finance costs	*(11)*	**(4,459)**	(4,735)
Loss before taxation	*(12)*	**(22,743)**	(72,995)
Taxation	*(15)*	**–**	–
Total comprehensive loss for the year		**(22,743)**	(72,995)
Total comprehensive loss attributable to:			
Owners of the Company		**(22,743)**	(66,110)
Minority interests		**–**	(6,885)
		(22,743)	(72,995)
Loss per share – basic and diluted	*(17)*	**HK(0.20) cents**	HK(0.62) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	*(18)*	**1,714**	7,734
Deposit paid for acquisition of a subsidiary	*(38b)*	**4,682**	–
Golf club debenture	*(19)*	**246**	246
		6,642	7,980
Current assets			
Inventories	*(20)*	**–**	9,985
Trade and bills receivables	*(21)*	**5,162**	305
Deposits, prepayments and other receivables		**2,121**	1,527
Held-for-trading investments	*(22)*	**15,490**	6,448
Bank balances and cash	*(23)*	**11,010**	39,548
		33,783	57,813
Current liabilities			
Trade and bills payables	*(24)*	**7,251**	10,176
Accruals and other payables		**4,853**	4,509
Tax payable		**1,006**	1,006
Trust receipt loans	*(23)*	**–**	4,272
Amount due to ultimate holding company	*(25)*	**56,106**	58,012
Amount due to a director	*(26)*	**4,754**	2,167
Amount due to a minority shareholder of a subsidiary	*(27)*	**–**	18,452
Amount due to a related company	*(28)*	**251**	1,105
Convertible loan note	*(29)*	**–**	26,932
Bank overdraft-unsecured	*(23)*	**–**	5,638
		74,221	132,269
Net current liabilities		**(40,438)**	(74,456)
Total assets less current liabilities		**(33,796)**	(66,476)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	(30)	**32,197**	26,837
Reserves		**(98,295)**	(102,626)
Capital deficiency attributable to owners of the Company		**(66,098)**	(75,789)
Minority interests		**(20,980)**	(20,980)
Total capital deficiency		**(87,078)**	(96,769)
Non-current liabilities			
Amount due to a minority shareholder of a subsidiary	(27)	**53,282**	21,167
Amount due to ultimate holding company	(25)	**–**	9,126
		53,282	30,293
		(33,796)	(66,476)

The consolidated financial statements on pages 23 to 67 were approved and authorised for issue by the Board of Directors on 15 April 2010 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 2009

Attributable to owners of the Company

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *Note*	Convertible note reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	26,837	48,079	6,906	4,368	(95,869)	(9,679)	(14,095)	(23,774)
Total comprehensive loss for the year	–	–	–	–	(66,110)	(66,110)	(6,885)	(72,995)
At 31 December 2008 and 1 January 2009	26,837	48,079	6,906	4,368	(161,979)	(75,789)	(20,980)	(96,769)
Total comprehensive loss for the year	–	–	–	–	(22,743)	(22,743)	–	(22,743)
Deemed contribution from a minority shareholder of a subsidiary	–	–	3,597	–	–	3,597	–	3,597
Conversion of convertible note (Note 29)	5,360	27,845	–	(4,368)	–	28,837	–	28,837
At 31 December 2009	32,197	75,924	10,503	–	(184,722)	(66,098)	(20,980)	(87,078)

Note

Other reserve represents the share of a subsidiary's share premium arising from the allotment and issue of shares, and deemed contribution from a minority shareholder of a subsidiary and owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Loss before taxation	**(22,743)**	(72,995)
Adjustments for:		
Finance costs	**4,459**	4,735
Interest income	**(4)**	(12)
Depreciation on property, plant and equipment	**2,510**	5,890
Allowance for inventories	**–**	5,719
(Increase) decrease in fair value of held-for-trading investments	**(9,866)**	22,393
Net (gain) loss on disposal of property, plant and equipment	**(1,842)**	5,759
Loss on disposal of inventories	**8,161**	–
Gain on disposal of held-for-trading investments	**(1,468)**	–
Impairment loss recognised on property, plant and equipment	**822**	–
Allowance for bad and doubtful debts	**305**	–
Operating cash flows before movements in working capital	**(19,666)**	(28,511)
Decrease (increase) in inventories	**1,824**	(6,285)
(Increase) decrease in trade and bills receivables	**(5,162)**	3,394
(Increase) decrease in deposits, prepayments and other receivables	**(594)**	1,785
Decrease in trade and bills payables	**(2,925)**	(11,996)
Decrease in accruals and other payables	**(87)**	(10,897)
Net cash used in operating activities	**(26,610)**	(52,510)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Investing activities		
Interest received	**4**	12
Proceeds from disposal of property, plant and equipment	**5,094**	1,219
Purchase of property, plant and equipment	**(564)**	(2,469)
Proceeds from disposal of held-for-trading investments	**2,292**	–
Deposit paid for acquisition of a subsidiary	**(4,682)**	–
Net cash from (used in) investing activities	**2,144**	(1,238)
Financing activities		
Interest paid	**(694)**	(2,224)
(Repayment of) raised of trust receipt loans	**(4,272)**	4,272
(Decrease) increase in amount due to ultimate holding company	**(11,032)**	58,012
Increase in amount due to a director	**2,587**	2,167
Increase in amount due to a minority shareholder of a subsidiary	**15,831**	18,452
(Decrease) increase in amount due to a related company	**(854)**	402
Net cash from financing activities	**1,566**	81,081
Net (decrease) increase in cash and cash equivalents	**(22,900)**	27,333
Cash and cash equivalents at the beginning of the year	**33,910**	6,577
Cash and cash equivalents at the end of the year	**11,010**	33,910
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	**11,010**	39,548
Bank overdraft	–	(5,638)
	11,010	33,910

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 of this 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 subsidiaries (collectively referred to as the "Group") are the trade, manufacture and export of athletic and athletic-style leisure footwear, leather shoes, working shoes, safety shoes, golf shoes and other functional 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 owners of the Company of approximately HK$22,743,000 for the year ended 31 December 2009 and had net current liabilities of approximately HK$40,438,000 and capital deficiency attributable to owners of the Company of approximately HK$66,098,000 as at 31 December 2009, 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 amount due to it for at least the next twelve months from 31 December 2009;

(ii) Subsequent to the end of the reporting period, the Company completed the acquisition of 51% equity interests in Weifang Century-light Biology Science Co., Ltd. and its subsidiaries and an open offer raising net proceeds of approximately HK$76,173,000, details of which can be found in note 38;

(iii) Wai Chun has agreed to provide adequate fund to enable the Group to meet in full its financial obligations when they fall due in the foreseeable future; and

(iv) Subsequent to the end of the reporting period, the directors of the Company announced that the Company is currently in negotiation with an independent third party on the possible disposal of its 65% owned subsidiary, Nority Limited. Nority Limited has net liabilities of approximately HK$58,184,000 as at 31 December 2009.

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

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

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estates
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operations
HK (IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised) 2007 "Presentation of Financial Statements"

HKAS 1 (Revised) 2007 has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no 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 Hong Kong Financial Reporting Standards 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 of Hong Kong Limited 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 subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

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 profit or loss in the period 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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Subcontracting fee income is recognised when the services have been provided.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Sub-letting income/rental income is recognised in the consolidated statement of comprehensive income 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 on initial recognition.

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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense 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.

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 the respective 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Retirement benefit costs

Payments to the 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 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 ("FVTPL") 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.

Financial assets at fair value through profit or loss

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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 to the net carrying amount initial on recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. 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 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.

The carrying amount of the financial assets 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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.

Convertible loan note

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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 in other comprehensive income 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.

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 option reserve).

At the end of the reporting period, 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 the end of the reporting period, 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.

Critical judgments in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimates, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Going concern consideration

The assessment of the going concern assumptions involves making judgment by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risk, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 2.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 2009 were approximately HK$1,714,000 (2008: HK$7,734,000). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 2 years to 10 years and after taking into account of their estimated residual values, using the straight-line method, at the rate of 10% 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.

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

Key sources of estimation uncertainty (Continued)

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 statement of comprehensive income 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 discounts 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. Allowance for bad and doubtful debts amounting to approximately by HK$305,000 (2008: Nil) has been recognised during the year.

Impairment of property, plant and equipment

The impairment loss for property, plant and equipment is recognised for the amounts by which the carrying amounts exceed its recoverable amount, in accordance with the Group's accounting policy. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The Group has assessed and reviewed annually for impairment loss whenever events or change in circumstances indicate that the carrying amount may not recoverable. Such estimations were based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. Impairment loss of approximately HK$822,000 was recognised during the year (2008: nil).

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, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated 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

	2009 HK$'000	2008 HK$'000
Financial assets		
Held-for-trading investments	**15,490**	6,448
Loans and receivables (including cash and cash equivalents)	**17,389**	41,360
Financial liabilities		
Other financial liabilities at amortised cost	**126,497**	134,624
Convertible loan note	**–**	26,932

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, held-for-trading investments, bank balances and cash, trade and bills payables, accruals and other payables, and amounts due to a related company/ultimate holding company/a minority shareholder of a subsidiary/a director. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk, interest rate risk and equity price 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

As at 31 December 2009, 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 statement of financial position.

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 the end of the reporting period 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.

7. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk (Continued)

The Group has concentration of credit risk as 81% (2008: 37%) and 100% (2008: 65%) of the total trade receivables was due from the Group's largest customer and the three largest customers respectively. The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% (2008: Nil) of the total receivable as at 31 December 2009.

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.

Foreign currency risk

The Group's foreign currency assets, liabilities and transactions are principally 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:

	Assets		**Liabilities**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**5,007**	644	**5,338**	17,421
RMB	**158**	670	**488**	1,339
TND	**–**	–	**1,011**	1,051
	5,165	1,314	**6,837**	19,811

The Group currently does not have a foreign currency hedging policy. However, the management will closely monitor 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)

Foreign currency 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% (2008: 4%) increase or decrease in HK$ against RMB. 4% (2008: 4%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. A positive number below indicates a increase in post-tax loss where HK$ weakening 4% (2008: 4%) against RMB. For a 4% (2008: 4%) strengthen of HK$ against RMB, there would be an equal and opposite impact on the post-tax loss, and the balances below would be negative.

	2009	2008
	HK$'000	HK$'000
Loss for the year	**13**	27

The Group's sensitivity to RMB has decreased during the current year mainly due to the decrease in RMB denominated payables as at 31 December 2009.

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 which carry at prevailing market interest rates. 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 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.

Other 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.

7. FINANCIAL INSTRUMENTS (CONTINUED)

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

Other price risk (Continued)

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 % (2008: 5%) higher/lower:

– post-tax loss for the year ended 31 December 2009 decreased/increased by approximately HK$775,000 (2008: HK$322,000) 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 current liabilities and capital deficiency attributable to owners of the Company of approximately HK$40,438,000 and HK$66,098,000 respectively as at 31 December 2009. To deal with such impact on liquidity of the Group, the management obtained the financial support from the ultimate holding company 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 the amount due to ultimate holding company 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 non-derivative financial liabilities based on the agreed repayment terms. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity tables

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

	Weighted average effective interest rate	0 to 180 days	181 to 365 days	Over 1 year	Total undiscounted cash flow	Carrying value
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009						
Non-derivative financial liabilities						
Trade and bills payables	–	7,251	–	–	7,251	7,251
Accruals and other payables	–	4,853	–	–	4,853	4,853
Amount due to ultimate holding company	–	56,106	–	–	56,106	56,106
Amount due to a director	–	4,754	–	–	4,754	4,754
Amount due to a minority shareholder of a subsidiary	6.75	–	–	56,879	56,879	53,282
Amount due to a related company	6.00	251	–	–	251	251
		73,215	–	56,879	130,094	126,497
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
Amounts 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

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; and

– The fair value of other financial assets and 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;

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.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

	2009 Level 1 HK$'000
Held-for-trading investments Listed equity securities	15,490

8. TURNOVER

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

9. OTHER REVENUE

	2009 HK$'000	2008 HK$'000
Interest income	4	12
Subcontracting fee income	–	166
Sub-letting income	30	83
Net gain on disposal of property, plant and equipment	1,842	–
Gain on disposal of held-for-trading investments	1,468	–
Rental income	13	18
Administrative income	2,400	800
Dividend income	–	223
Others	36	1,961
	5,793	3,263

10. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and return approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segment as compared with the primary reportable segment determined in accordance with HKAS 14.

The reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive directors of the Company being the CODM of the Group.

Segment revenue and results

The CODM regularly review revenue and operating results derived from trade of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes on an aggregated basis and consider them as one single operating segment.

10. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

The following is a reconciliation of segment profit (loss) to loss before taxation as disclosed in the consolidated statement of comprehensive income:

	2009 HK$'000	2008 HK$'000
Segment profit (loss)	**309**	(12,123)
Other revenue	**5,793**	3,263
Administrative expenses	**(24,964)**	(37,007)
Other expenses	**(9,288)**	–
Increase (decrease) in fair value of held-for-trading investments	**9,866**	(22,393)
Finance costs	**(4,459)**	(4,735)
Loss before taxation	**(22,743)**	(72,995)

Segment profit (loss) represents the gross profit (loss) less selling expenses. This is the measure reported to the executive directors for the purpose of resource allocation and performance assessment.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors.

Geographical information

For the year ended 31 December 2009, the Group's operations are only located in Hong Kong with revenue and profits derived mainly from its operations in Hong Kong. For the year ended 31 December 2008, the Group's operations were principally located in Hong Kong (country of domicile), The People's Republic of China (the "PRC"), North America, Europe and Middle East Asia.

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

	Revenue from external customers		**Non-current assets**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong	**13,137**	–	**1,714**	2,140
PRC	**–**	–	**4,928**	5,840
North America	**–**	39,092	**–**	–
Europe	**–**	6,128	**–**	–
Middle East Asia	**–**	30,654	**–**	–
Other countries	**–**	6,606	**–**	–
	13,137	82,480	**6,642**	7,980

10. SEGMENT INFORMATION (CONTINUED)

Information about major customers

For the year ended 31 December 2009, revenue from three customers of the Group amounting to HK$5,873,000, HK$5,121,000 and HK$2,143,000 had individually accounted for over 10% of the Group's total revenue. All of the three customers are new customers to the Group for the year ended 31 December 2009.

For the year ended 31 December 2008, revenue from two customers of the Group amounting to HK$30,654,000 and HK$25,526,000 had individually accounted for over 10% of the Group's total revenue.

11. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on:		
– bank loan and overdrafts wholly repayable within five years	**182**	625
– short-term loan from ultimate holding company	**468**	1,017
– short-term loan from a related company	**44**	5
Imputed interest on non-current interest-free loan from:		
– ultimate holding company	**–**	577
– a minority shareholder of a subsidiary	**1,429**	1,338
Effective interest expenses on convertible loan note *(Note 29)*	**2,336**	1,173
	4,459	4,735

12. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2009	2008
	HK$'000	HK$'000
Auditor's remuneration	**512**	464
Cost of inventories recognised as an expense (excluding staff costs and depreciation on property, plant and equipment)	**12,828**	68,915
Staff costs, including directors' emoluments and retirement benefit costs *(Notes 13 & 14)*	**6,687**	32,979
Net exchange loss	**8**	739
Depreciation on property, plant and equipment	**2,510**	5,890
Allowance for inventories recognised in cost of sales	**–**	5,719
Impairment for property, plant and equipment included in other expenses *(Note 18)*	**822**	–
Allowance for bad and doubtful debts included in other expenses *(Note 21)*	**305**	–
Loss on disposal of inventories included in other expenses	**8,161**	–
Net loss on disposal of property, plant and equipment	**–**	5,759

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008
	HK$'000	HK$'000
Wages and salaries	**6,403**	27,078
Dismissal compensation	**–**	3,309
Retirement benefit costs		
– defined contribution retirement plans *(Note 31)*	**89**	866
Other employee benefits	**195**	1,726
	6,687	32,979

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2009 HK$'000	2008 HK$'000
Fees	360	360
Other emoluments:		
Basic salaries, other allowance and benefits in kind	2,827	3,699
Retirement benefit costs		
– defined contribution retirement plans	12	19
	2,839	3,718
Total emoluments	3,199	4,078

(b) Directors' emoluments

The emoluments paid or payable to each of the 7 (2008: 8) 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$'000	2009 Total emoluments HK$'000
Executive				
Lam Ching Kui	–	2,600	12	2,612
Guo Qing Hua [1]	–	227	–	227
Liu Qun [2]	–	–	–	–
Independent Non-executive				
Shaw Lut, Leonardo	120	–	–	120
Chan Chun Wai, Tony	120	–	–	120
Geng Ying [3]	110	–	–	110
Wong Wai Man, Raymond [4]	10	–	–	10
Total for 2009	360	2,827	12	3,199

1 Appointed on 13 February 2009
2 Resigned on 13 February 2009
3 Resigned on 30 November 2009
4 Appointed on 30 November 2009

14. 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$'000	2008 Total emoluments HK$'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

No director waived or agreed to waive any emoluments during the two years ended 31 December 2009 and 2008.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(c) During the year, of the five highest paid individuals in the Group, one (2008: three) was an executive director of the Company whose emoluments are set out above. The emoluments of the remaining four (2008: two) highest paid individuals were as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, other allowance and benefits in kind	**1,470**	1,173
Retirement benefit costs		
– defined contribution retirement plans	**40**	16
	1,510	1,189

The emoluments of the aforementioned four (2008: two) 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 each of the two years ended 31 December 2009 and 2008.

15. 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.

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

	2009 HK$'000	2008 HK$'000
Loss before taxation	**(22,743)**	(72,995)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**(3,753)**	(12,044)
Tax effect of expenses not deductible for tax purpose	**2,933**	17,733
Tax effect of deductible temporary differences not recognised	**186**	944
Tax effect of income not taxable for tax purpose	**(2,175)**	(14,123)
Deferred tax asset in respect of tax losses not recognised	**2,809**	7,490
Taxation for the year	**–**	–

At 31 December 2009, the Group has unused tax losses of approximately HK$96,078,000 (2008: HK$79,054,000) and unrecognised temporary difference of approximately HK$6,846,000 (2008: HK$5,719,000) 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.

16. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

17. LOSS PER SHARE

The calculation of basic loss per share was based on the Group's loss attributable to owners of the Company of approximately HK$22,743,000 (2008: HK$66,110,000) and the weighted average number of ordinary shares of 11,328,175,713 (2008: 10,734,904,480), as adjusted for the shares issued upon conversion of convertible loan note on 21 September 2009 and share subdivision in issue on 21 July 2008.

The calculation of diluted loss per share does not assume the conversion of the convertible loan note since their conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 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 and 1 January 2009	35,241	90,995	3,756	129,992
Additions	4	–	560	564
Disposals/written off	(31,885)	(90,886)	(1,308)	(124,079)
At 31 December 2009	3,360	109	3,008	6,477
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 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 and 1 January 2009	32,031	87,564	2,663	122,258
Charge for the year	1,092	985	433	2,510
Impairment loss recognised	822	–	–	822
Eliminated on disposals/written off	(31,040)	(88,484)	(1,303)	(120,827)
At 31 December 2009	2,905	65	1,793	4,763
NET CARRYING VALUES				
At 31 December 2009	455	44	1,215	1,714
At 31 December 2008	3,210	3,431	1,093	7,734

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

Leasehold improvements, furniture and fixtures	12.5% – 33.33%
Machinery and equipment	10% – 50%
Motor vehicles	20% – 25%

Impairment loss recognised in respect of leasehold improvements, furniture and fixtures during the year amounted to HK$822,000 (2008: Nil) as the directors expected that the future economic benefits to arise from the continued use of the asset is estimated to be less than its carrying amount.

19. GOLF CLUB DEBENTURE

The golf club debenture represents club membership of Mission Hills Golf Club in the PRC. The directors of the Company consider that no impairment of the balance of golf club debenture is required since its fair value is higher than its carrying value as at 31 December 2009 and 2008.

20. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	–	9,567
Work-in-progress	–	224
Finished goods	–	194
	–	9,985

21. TRADE AND BILLS RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	6,732	1,619
Less: Allowance for bad and doubtful debts	(1,570)	(1,570)
	5,162	49
Bills receivables	–	256
Total trade and bills receivables	5,162	305

21. 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 presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	HK$'000
0 – 30 days	**829**	–
Over 90 days	**4,333**	49
Total	**5,162**	49

Included in the Group's trade receivables as at 31 December 2009 were debtors with an aggregate carrying amount of approximately HK$4,333,000 which were past due at the end of the reporting period 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 did not hold any collateral over these balances. The average age of these receivables was 240 days as at 31 December 2008. There are no balances in trade receivables which have been past due as at 31 December 2009.

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.

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

	2009	2008
	HK$'000	HK$'000
Over 90 days	**4,333**	49

Movement in the allowance for bad and doubtful debts:

	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**1,570**	1,570
Allowance recognised on receivables	**305**	–
Amounts written-off as uncollectible	**(305)**	–
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 (2008: HK$1,570,000) which have in severe financial difficulties. The Group does not hold any collateral over these balances.

22. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments comprise:

	2009 HK$'000	2008 HK$'000
Equity securities listed in Hong Kong	**15,490**	6,448

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

23. BANK BALANCES AND CASH/BANK OVERDRAFT/TRUST RECEIPT LOANS

Bank balances and cash

Bank balances carry interest at market rates which range from 0% to 0.01% (2008: 0.01% to 4%) per annum.

Bank overdraft/Trust receipt loans

Bank overdraft and trust receipt loans were unsecured and carried interest at market rates which was prime lending rate and Hong Kong dollar oversight inter-bank rate plus 1% per annum respectively as at 31 December 2008.

24. TRADE AND BILLS PAYABLES

The Group normally receives credit terms of 30 days to 90 days from its suppliers. The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
0-30 days	**1,951**	1
31-60 days	**2,063**	17
61-90 days	**480**	141
Over 90 days	**2,757**	5,043
	7,251	5,202
Bills payable	**–**	4,974
	7,251	10,176

25. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

For the year ended 31 December 2008, the carrying amount of HK$9,126,000 was due for settlement after next twelve months from the end of the reporting period, and accordingly, such amount was classified as non-current. The non-current portion amount was unsecured and interest-free. The remaining balance of HK$58,012,000 was unsecured, interest-bearing at a range from 0% to 3.32% and repayable on demand.

For the year ended 31 December 2009, the amount is unsecured, interest-free and repayable on demand.

26. AMOUNT DUE TO A DIRECTOR

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

27. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

For the year ended 31 December 2008, the carrying amount of HK$21,167,000 was due for settlement after next twelve months from the end of the reporting period, and accordingly, such amount was classified as non-current. The remaining balance of HK$18,452,000 was repayable on demand. The amount is unsecured and interest-free.

For the year ended 31 December 2009, the carrying amount of HK$53,282,000 was due for settlement after next twelve months from the end of the reporting period, and accordingly, such amount was classified as non-current. The Group has obtained the undertaking from the minority shareholder of a subsidiary, which agreed not to demand repayment of such amount at least the next twelve months from 31 December 2009 (Note 2). The amount is unsecured and interest-free.

28. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, interest-bearing at 6% (2008: 6%) per annum and repayable on demand.

29. 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 (2008: HK$0.01345), as adjusted for the share subdivision 1:4 during the year ended 31 December 2008 (note 30). The interest is payable once every six months in arrears at the end of each six-month period between the date of issue of the Convertible Notes and the maturity date. 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%.

29. CONVERTIBLE LOAN NOTE (CONTINUED)

The Convertible Note in the principal amount of HK$28,836,800 were converted into 2,144,000,000 new ordinary shares of the Company at the initial conversion price of HK$0.01345 per share on 21 September 2009.

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

	2009	2008
	HK$'000	HK$'000
Carrying amount at 1 January	**26,932**	26,336
Interest charge *(Note 11)*	**2,336**	1,173
Interest accrued	**(431)**	(577)
Conversion of Convertible Note	**(28,837)**	–
Carrying amount at 31 December	**–**	26,932
Analysed for reporting purposes as:		
Current liabilities	**–**	26,932
Non-current liabilities	**–**	–
	–	26,932

30. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 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, 1 January 2009 and 31 December 2009	40,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 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 and 1 January 2009	10,734,904,480	26,837
Issue of shares upon conversion of Convertible Note *(note 29)*	2,144,000,000	5,360
Ordinary shares of HK$0.0025 each at 31 December 2009	12,878,904,480	32,197

30. SHARE CAPITAL (CONTINUED)

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

All the shares which were issued during the year 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.

31. 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 statement of comprehensive income of approximately HK$89,000 (2008: HK$866,000) represents contributions payable to the retirement schemes by the Group.

32. OPERATING LEASES

The Group as lessee

	2009 HK$'000	2008 HK$'000
Minimum lease payments in respect of rented premises paid under operating leases during the year	**5,745**	7,526

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**2,220**	4,109
In the second to fifth year inclusive	**142**	1,957
	2,362	6,066

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

The Group as lessor

The Group leased its golf club membership. The golf club membership rental income earned during the year ended 31 December 2009 was HK$13,000 (2008: HK$18,000).

The Group also contracted with tenant for administrative income earned during the year ended 31 December 2009 was HK$2,400,000 (2008: HK$800,000). The lease held has committed tenant for two years with early termination right.

At the end of the reporting period, the Group had not contracted with tenants for the future minimum receipts of the sub-letting income (2008: within one year amounted to HK$212,000).

33. 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	2009 HK$'000	2008 HK$'000	Interested director
Ultimate holding Company	Interest expenses	**468**	1,017	Lam Ching Kui
Wai Chun Group Holdings Limited	Administrative income	**2,400**	800	Lam Ching Kui
	Interest expenses	**44**	5	
Fellow subsidiary of a minority shareholder of a subsidiary	Rental expenses	**1,534**	2,981	N/A
Fellow subsidiary of a minority shareholder of a subsidiary	Management fee expenses	**2,000**	2,000	N/A

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

	2009 HK$'000	2008 HK$'000
Short-term benefits	**3,826**	5,232
Post-employment benefits	**34**	35
	3,860	5,267

(c) Details of the balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position and relevant notes.

34. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme:

Pursuant to a share option scheme adopted by the shareholders of the Company on 10 June 2003 (the "SOS"), the Company may, at their discretion, invite full-time employees of the Group, including Directors of the Company and its subsidiaries, and any suppliers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for shares.

The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the shares on the Stock Exchange on the date of grant or the nominal value of the shares.

The SOS will remain in force for a period of 10 years commencing on 10 June 2003.

The share options under the SOS are exercisable at any time for a period to be determined by the directors, which shall not more than 10 years after the date of grant.

The total number of shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the shares in issue on the date of approval of the SOS without prior approval from the Company's shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the SOS must be taken up within 28 days of the grant upon payment of HK$10.00 per grant.

As at 31 December 2009, no share option was granted under the SOS and no share option was lapsed or cancelled during the year.

35. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries		**125**	–
Plant and equipment		**1,714**	2,140
		1,839	2,140
Current assets			
Deposits, prepayments and other receivables		**1,965**	1,068
Held-for-trading investments		**15,490**	6,448
Bank balances and cash		**1,450**	38,834
		18,905	46,350
Current liabilities			
Accruals and other payables		**2,269**	1,538
Amount due to ultimate holding company		**41,176**	58,012
Amount due to a director		**4,754**	2,167
Amount due to a related company		**251**	1,105
Amount due to a subsidiary		**66**	–
Convertible loan note		**–**	26,932
Bank overdraft – unsecured		**–**	142
		48,516	89,896
Net current liabilities		**(29,611)**	(43,546)
		(27,772)	(41,406)
Capital and reserves			
Share capital	*(30)*	**32,197**	26,837
Reserves	*(36)*	**(59,969)**	(77,369)
Capital deficiency		**(27,772)**	(50,532)
Non-current liability			
Amount due to ultimate holding company		**–**	9,126
		(27,772)	(41,406)

36. RESERVES

The Company

	Share premium HK$'000	Other reserve HK$'000	Convertible note reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	48,079	62,934	4,368	(135,338)	(19,957)
Total comprehensive loss for the year	–	–	–	(57,412)	(57,412)
At 31 December 2008 and 1 January 2009	48,079	62,934	4,368	(192,750)	(77,369)
Conversion of Convertible Note *(note 29)*	27,845	–	(4,368)	–	23,477
Total comprehensive loss for the year	–	–	–	(6,077)	(6,077)
At 31 December 2009	75,924	62,934	–	(198,827)	(59,969)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportion of ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2009	2008	2009	2008	
Nority Limited	Hong Kong/ PRC	Voting class "A"	Voting class "A" HK$100 Non-voting class "B" HK$12,000,000 (a)	65%	65%	–	–	Inactive
Wai Chun Incorporation Limited	Hong Kong	Ordinary	Ordinary share of HK$1,000	100%	–	–	–	Trading of footwear
Wai Chun Industrial (HK) Limited	Hong Kong	Ordinary	Ordinary share of HK$1,000	–	–	100%	–	Investment in securities

(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.

38. EVENTS AFTER THE REPORTING PERIOD

(a) Completion of the open offer

In February 2010, the Company completed an open offer with an assured allotment of one offer share at HK$0.03 per share for every 5 existing shares held. The Company issued 2,575,780,896 shares under the open offer raising net proceeds of approximately HK$76,173,000. The net proceeds were used to: (i) pay the consideration for the acquisition of the 51% equity interests in Weifang Century-light Biology Science Co., Ltd. and its subsidiaries (collectively referred as "Weifang") (please see below for details) amounting to approximately HK$11,704,000; (ii) partially reduce the amount due to ultimate holding company amounting to approximately HK$41,000,000 and the remaining balance of approximately HK$23,469,000 will be used as general working capital.

(b) Acquisition of 51% equity interests in Weifang Century-Light Biology Science Co., Ltd. and its subsidiaries

As announced by the Company on 29 September 2009, 10 December 2009 and 30 December 2009, the Group entered into a sale and purchase agreement with an independent third party to purchase 51% of the equity interests in Weifang for a consideration of RMB10,300,000 (equivalent to approximately HK$11,704,000). In relation to the acquisition of Weifang as a major transaction, details of which had been disclosed in the circular dispatched to the shareholders on 31 December 2009. The acquisition was completed in January 2010 and the consideration was satisfied in cash. During the year, a deposit of approximately HK$4,682,000 was paid.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31st December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**13,137**	82,480	68,080	132,418	297,638
Loss before taxation	**(22,743)**	(72,995)	(94,733)	(44,268)	(59,064)
Taxation	**–**	–	–	(9,645)	6,678
Loss for the year	**(22,743)**	(72,995)	(94,733)	(53,913)	(52,386)
Minority interests	**–**	6,885	10,856	3,122	412
Loss for the year attributable to owners of the Company	**(22,743)**	(66,110)	(83,877)	(50,791)	(51,974)

ASSETS AND LIABILITIES

	As at 31st December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**40,425**	65,793	70,227	146,696	221,933
Total Liabilities	**(127,503)**	(162,562)	(94,001)	(53,029)	(72,577)
	(87,078)	(96,769)	(23,774)	93,667	149,356
Minority interests	**20,980**	20,980	14,095	(1,791)	(7,413)
Capital deficiency attributable to owners of the Company	**(66,098)**	(75,789)	(9,679)	91,876	141,943