GLOBAL GREEN TECH GROUP LIMITED
高寶綠色科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 274

ANNUAL REPORT **2008**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Jin Wei, Jim *(Chairman)*
Mr. Wong Ying Yin
Mr. Bang Young Bae

Independent Non-executive Directors

Mr. Ho Yik Leung
Mr. Lin Jian
Mr. Lee Pak Chung

COMPANY SECRETARY

Chow Kai Ming *FCPA*

AUDITORS

Hopkins CPA Limited

Certified Public Accountants
3/F., Sun Hung Kai Centre
30 Harbour Road
Hong Kong

LEGAL ADVISERS

As to Hong Kong law
Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Hong Kong

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3401-08, 34/F., Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Taishin International Bank Co., Ltd.

15/F., Tower II, Admiralty Centre
18 Harcourt Road
Hong Kong

Bank of Communications Ltd

Room 2201, 22/F., City Landmark 1
68 Chung On Street
Tsuen Wan, N.T.
Hong Kong

Public Bank (Hong Kong) Ltd

19/F., Asia Financial Centre
120 Des Voeux Road Central
Hong Kong

Bank of China (Hong Kong) Ltd

Unit 702-706, The Gateway Tower 3
(Prudential Tower), 21 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd

Butterfield House,
Fort Street, P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Lau Jin Wei, Jim
Mr. Wong Ying Yin

Chairman's Statement

On behalf of the Board, I herein present the annual results of Global Green Tech Group Limited ("Global Green"/the "Group") for the year ended 31 December 2008.

In 2008, led by the financial turmoil, the global economy tumbled, together with slump of all major stock indices, wide swing of energy price, nearly frozen credit market, and significantly weaker consumption across the world. The global crisis was much stronger than most people expected and there was no exception for mainland China and Hong Kong where the Group has been operated.

BUSINESS REVIEW

Turnover was HK$1,339.71 million, representing an increase of 25% from that of HK$1,071.83 million a year ago. Gross profit was HK$492.80 million, representing a decrease of 9.62% from that of HK$545.26 million in the last year. Profit declined to HK$33.57 million, 90.63% drop from last year's HK$358.46 million. Basic earnings per share was HK$0.0065 (2007: HK$0.2785).

Under the stringent business environment in 2008, our core businesses, especially for cosmetics and skincare products and industrial products, continued to generate stable recurring turnover to the Group. The decline in the profit was primarily attributable to the non-cash provision for unrealized loss on investment securities, provision for redemption money and interest payment on convertible preference shares issued by a subsidiary of the Group and general provision for receivables and inventories of the Group.

OUTLOOK

It's widely believed that the impact of the financial crisis on China would not be as significant as on other main economical bodies. And with stimulus package implemented by the central government, the GDP and domestic demand in China will continue to grow in 2009, although in a slower pace. The Group, with its solid foundation planted in China since the establishment, will concentrate on its core business, seek for on-going development, and finally come over the present difficult time.

For cosmetics and skincare products, our brand MB has established its brand name in mainland China through extensive distribution network and innovative promotion strategies. Riding on the growing disposable income and strong emergence of the middle class, we are confident that MB will continue to bring strong recurring income to the Group, by expansion of product line and effective promotion activities.

For industrial products, we will strive to maintain a reasonable profit margin for our traditional industrial surfactants business, and keep expanding the new industrial enzymes business which already made contribution to the Group's revenues in 2008.

At the same time, the Group will also continue working on waste-tyre-to-oil recycling project to capture the tremendous opportunities in green energy field.

Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to shareholders and business partners for their great support, and also extend our thanks to all staffs for their faithful dedication and contribution to the Group.

By Order of the Board
Lau Jin Wei, Jim
Chairman
20 April 2009

Management Discussion and Analysis

BUSINESS REVIEW

2008 is a difficult year for the Group due to overall market depression and slowdown in PRC economic growth. However, the Group recorded a turnover of HK$1,339.71 million, representing an increase of 25% from that of HK$1,071.83 million a year ago. Gross profit was HK$492.80 million, representing a decrease of 9.62% from that of HK$545.26 million in the last year. Profit declined to HK$33.57 million, 90.63% drop from last year's HK$358.46 million. Basic earnings per share was HK$0.0065 (2007: HK$0.2785).

In 2008, while the Group strived to maintain the turnover of its core businesses, profit declined significantly due to the non-cash provision for unrealized loss on investment securities, provision for redemption money and interest payment on convertible preference shares issued by a subsidiary of the Group and general provision for receivables and inventories of the Group. The cosmetics and skincare business remained the Group's largest contributor to the revenues and net profits, and industrial products and household products continued to generate stable sales revenue for the Group.

OPERATIONAL REVIEW

I. Household Products

For the period under review, turnover of household products was HK$132.42 million, representing a decline of 20.80% from a year ago and accounting for 9.88% of the Group's total turnover.

The gross margin of this segment was gradually deteriorated by the fierce market competition. The Group will try to maintain its market share by competitive pricing and marketing strategy as long as it is profitable.

II. Industrial Products

For the year ended 31 December 2008, turnover of industrial products went up by 42.46% reaching HK$422.25 million, accounting for 31.52% of the Group's total turnover.

Industrial surfactants, with a long operation history and a strong customer base, used to be the Group's primary business. Despite the difficult operating environment in 2008 for PRC textile and garment industry who are our major clients, the Group was able to improve the profit margin through continuous implementation of cost control measures including production of industrial enzymes and development of substitute materials.

After years of R&D and completion of the construction of the production facility for industrial enzymes in 2008, the Group started selling industrial enzymes to customers in the first half of 2008. Although current PRC market of industrial enzymes for textile industry is dominated by foreign players, the Group is confident of being capable of grabbing market share over the time with good product quality and relatively lower price.

III. Cosmetics And Skincare Products

During the review period, turnover of cosmetics and skincare products rose 5.85% to HK$617.39 million, accounting for 46.08% of the Group's total turnover. This segment has become the key sales and profit driver of the Group.

Management Discussion and Analysis

The global financial crisis also resulted in a profound effect on the economy of PRC, causing weaker consumer demand due to a slowdown in economic growth, especially in the second half of 2008. In the first half year of 2008, although mainland China was hit by the countrywide snowstorm in February and Sichuan earthquake in May, the Group's business of own branded cosmetics and skincare products MB still strived to gain a continuous growth in revenue and profit with effective branding and promotion strategy. However, when entering into the second half of the year, being dragged by the much weaker PRC consumer sentiment caused by the global economic turmoil, the own branded cosmetics and skincare products business of the Group had a weaker performance.

With a state-of-the-art GMPC compliant production base and R&D expertise, the Group continued its expansion into the European and North American markets by providing ODM cosmetics and skincare products in the formats of gift and premium packages. This fast growing business registered a strong growth in sales again in 2008 despite globally weak consumer spending.

In May 2008, the quality assurance and control test centre of our major cosmetics subsidiary in the PRC, Global Cosmetics (China) Company Limited was granted the Laboratory Accreditation Certificate by The China National Accreditation Service for Conformity Assessment. With such accreditation, the Group is now capable of testing its own products and issuing the quality control assessment report, instead of engaging other third party laboratories recognised by The China National Accreditation Service for Conformity Assessment for such purpose, which will expedite the development and production process of our ODM and OEM products.

IV. Biotechnology Products

The biotechnology products business comprises mainly production of patented biotech raw materials for medical companies and internally consumption.

V. Investments

In 2008, the outbreak of the international financial turmoil has led to the sharp decline of all major equity indices globally. There was no exception for the Group's investment portfolio. The significant depreciation of the investment portfolio as at 31 December 2008 resulted in total amount of operating loss generated in this segment of HK$199.73 million as compared with operating profit of HK$20.77 million in the last year. As at 31 December 2008, total market value of marketable securities held by the Group amounted to HK$30 million.

ANALYSIS OF OPERATING EXPENSES

Selling and distribution expenses for the year ended 31 December 2008 amounted to HK$100.27 million representing 7.48% of turnover as compared with that of HK$83.78 million or 7.82% of turnover in the last year. As compared with last year, the amount spent on advertising and promotion of cosmetics and skincare products were increased by approximately HK$2.65 million. Staff salaries and commission were increased by approximately HK$3.09 million. Freight and delivery charges were increased by approximately HK$2.69 million due to increase in oil price and frequencies of transportation. Travelling expenses and sundry expenses were increased by approximately HK$7.76 million due to increase in frequencies of regular MB counter's inspection and the number of regional managers and inspection staffs.

Management Discussion and Analysis

General and administrative expenses was HK$404.41 million or 30.19% of turnover for the year ended 31 December 2008 as compared to that of HK$139 million or 12.97% of turnover in the last year, mainly due to increase in general provision for receivables of approximately HK$32.33 million, increase in provision for unrealised loss in market value of marketable securities of approximately HK$167.99 million, increase in repair and maintenance of GMP basis manufacturing plant of approximately HK$15.15 million, increase in rental expenses of approximately HK$3.38 million, increase in auditor remuneration of approximately HK$4.93 million owing to the spin-off of cosmetics business, adjustment for previous years' tax adjustment of approximately HK$2.99 million, increase in sundry expenses of approximately HK$2.18 million and provision for share-based payment expenses of approximately HK$37.6 million.

Total depreciation charges for fixed assets for the year ended 31 December 2008 amounted to HK$84.54 million (2007: HK$76.14 million), due to commencement of operation of the production plant for industrial enzymes.

Total amortisation for intangible assets and leasehold land for own use amounted to HK$10.55 million (2007: HK$9.84 million).

Finance costs for the year ended 31 December 2008 amounted to HK$63.59 million, mainly due to interest expenses on the syndicated loan of the Group and provision for interest expenses and redemption money on convertible preference shares issued by a subsidiary of the Group.

USE OF PROCEEDS FROM ISSUE OF SHARES AND WARRANTS

During the year, 105,877,000 share options were exercised at an average exercise price of HK$1.09 per ordinary share and 46,987,360 warrants were exercised at exercise price of HK$1.30 per ordinary share with gross cash proceeds of approximately HK$114.9 million and HK$61.1 million respectively, before any related expenses. The net proceeds from exercise of share options and warrants were used to finance general working capital requirement. The exercise of 105,877,000 share options and 46,987,360 warrants resulted in the issue of 152,864,360 additional ordinary shares of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalent of approximately HK$192.92 million as at the balance sheet date. The Group adopts conservative treasury policies in cash and financial management. Most of the retained cash was placed as Renminbi and Hong Kong Dollars short term deposits and therefore exposure to exchange fluctuations was minimal. The Group also invested in a combination of portfolio investments such as marketable securities, bonds, funds, foreign currencies and fixed income assets in order to increase the financial returns. Shareholders' funds as at 31 December 2008 was HK$2,620.21 million compared with that of HK$2,373.79 million as at 31 December 2007, representing an increase of HK$246.42 million or 10.38%.

Management Discussion and Analysis

By the announcement dated 12 September 2008, the Company entered into the acquisition agreement in relation to the sales and purchase of approximately 8.54% of the entire issued share capital of BBG at cash consideration of approximately HK$265.34 million. Goodwill arose from the transaction was HK$186.14 million. The acquisition will increase earnings of the Group by the amount of the increase in Group's sharing of profits after tax of BBG and its subsidiaries from 84.6% to 93.2%.

The Group's capital expenditure for the year ended 31 December 2008 amounted to HK$411.41 million were funded from cash generated from operations and bank loans.

The indebtedness of the Group mainly comprises bank loans and finance leases which are largely denominated in Hong Kong Dollars and Renminbi. The Group's borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

As at 31 December 2008, the Group's banking facilities had been utilized to the extent of approximately HK$180 million which included the syndicated loan.

The Group's inventory turnover period was reduced to 41 days. Debtor's and creditor's turnover periods were 47 days and 23 days respectively.

Debt to equity ratio (total interest bearing debts over shareholders' funds) and gearing ratio (total interest bearing debts over total assets) were 14.48% and 11.97% respectively whereas current ratio and interest coverage were 1.29 and 2.34 respectively.

PROSPECTS

New Business with Enormous Potential – Green Recycle Energy

Regarding the green energy recycling project (the "Project"), the Hong Kong Science and Technology Parks Corporation of the HKSAR Government granted a site of approximately 24,000 square metres in Yuen Long Industrial Estate at approximately HK$39.01 million for the Group to set up its recycle energy business. The Group has submitted application to Hong Kong Environmental Protection Department (EPD) and expects that the approval from EPD may be obtained in early second half of 2009. Construction work and commencement of production are tentatively scheduled in the fourth quarter of 2009 and third quarter of 2010 respectively. The Group believes that this business will become one of the major sources of revenue to the Group in the future.

The Group will first develop the Hong Kong market, mainly through wholesaling high quality petroleum and chemical (such as carbon black and/or active carbon) products to different clients including public transportation corporations. In the long run, the Group targets to expand the business to overseas markets under high oil price pressure, such as Singapore, Malaysia and Japan. The Group believes its development strategy will accelerate its growth and bring remarkable returns to shareholders.

Management Discussion and Analysis

Cosmetics and Skincare Products

Currently, the Group has both the retail line and professional line of product series which are under the Group's own brand name of "Marjorie Bertagne (MB)" and consistently develops and promotes new series of MB products. Besides, leveraging on our strong in-house product design and state-of-the-art production facilities, the Group is planning to launch another brand focusing on functional cleansing for younger generation of customers to capture more market shares. The Group expects to launch the new brand in PRC at the end of 2009 if the consumer market in PRC picks up in the second half of 2009.

Other than that, the Group also designs and produces high quality skincare products, colour cosmetics and toiletries for its ODM and OEM customers in Europe and United States at competitive prices. As part of the "one-stop service" of this ODM and OEM business, the Group also provides research, development, sourcing, merchandising and technical enquires to its customers.

Biotech Products

Through years of collaboration with R&D team in The University of Hong Kong as well as the grant from Innovation and Technology Fund of the HKSAR Government, the Group has successfully commercialized the production of the industrial enzymes. The Directors believe that this business will keep bringing revenues to industrial segment going forward due to the rising awareness of environmental protection issue by the PRC Government. The Group also believes that the production of industrial enzymes will greatly reduce its reliance on overseas import as well as production costs.

EMPLOYEES AND REMUNERATION POLICIES

The Group's clear and effective management policies have enabled it to maintain good staff relations. It has not encountered any difficulties in recruiting experienced personnel and there has not been any interruption to its operations as a result of labour disputes. The Group provides social security benefits encompassing the mandatory provident fund and health insurance scheme to all its employees. It does not shoulder any material liability arising from the relevant statutory retirement scheme.

As at 31 December 2008, the Group had 760 salaried employees of which 692 and 68 were stationed in the PRC and Hong Kong respectively. Total staff costs paid during the year was approximately HK$61.63 million.

CONTINGENT LIABILITY AND CHARGE ON GROUP ASSETS

The Group did not have any significant contingent liabilities as at 31 December 2008.

As at 31 December 2008, the banking facilities of the Group were secured by corporate guarantees executed by a subsidiary of the Group.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Jin Wei, Jim, aged 39, is the Chairman of the Company and a co-founder of the Group. He holds a bachelors of arts and science degree in economic studies from the University of York in Canada. Throughout the years, Mr. Lau is responsible for the overall strategic planning and business development of the group as well as the overall management of the Group's operations. He successfully led the Group to expand the business from industrial surfactants to home and personal care products. Mr. Lau is the brother of Ms. Judy Lau, a senior management of the Group.

Mr. Wong Ying Yin, aged 48, joined the Group in April 2001 and appointed as an Executive Director on 31 December 2004. Mr. Wong is responsible for the home and personal care division of the Group. Before joining the Group, Mr. Wong had over 24 years of experience in sales industry.

Mr. Bang Young Bae, aged 49, is currently the head of the fine chemicals and research and development division of the Group. Mr. Bang was appointed as an Executive Director of the Company on 9 June 2006. Mr. Bang holds a bachelor of science degree in biochemistry from the Hanyang University, Seoul, Korea. He has extensive experience in research and development in the industry. Before joining the Group in 2003, Mr. Bang worked in well-known cosmetics-manufacturing companies in Korea where he obtained useful management and technological knowledge and skills.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Yik Leung, aged 45, joined the Group as an Independent Non-executive Director in May 2008. Mr. Ho holds a bachelor's and a master's degree in environmental protection engineering from Nanjing University. He has over 16 years' experience in education. Before being appointed as an Independent Non-executive Director, Mr. Ho had been the chairman of three companies in the People's Republic of China, including a trading company and a finance company.

Mr. Lin Jian, aged 74, joined the Group as an Independent Non-executive Director in September 2004. Before joining the Group, Mr. Lin was a professor in Biological Engineering at Jinan University (暨南大學) in Guangzhou, the PRC. He had also held various local social offices including Committee Member of the Technology Consultancy Committee of the Government of the Guangdong Province (廣東省政府科技技術諮詢委員會) and the Managing Director of the Biological Engineering Society of the Guangdong Province (廣東省生物工程學會理事長).

Mr. Lee Pak Chung, aged 45, was appointed as an Independent Non-executive Director in September 2004. Mr. Lee obtained a master's degree in Business Administration from the Hong Kong University of Science and Technology. He is a Member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and is a Certified Public Accountant practising in Hong Kong. Mr. Lee has over 18 years of professional and commercial experience in accounting, auditing, taxation and corporate finance. Since August 2002, Mr. Lee has been an Independent Non-executive Director of Ming Fung Jewellery Group Limited, a company listed on the main board of the Stock Exchange.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ko Sik Fong, aged 42, is the General Manager of the industrial surfactant division of the Group. He is responsible for the sales, marketing, purchasing and production of the Group. He has over 15 years of experience in chemical industry in Hong Kong. He joined the Group in July 1995.

Mr. Zhou Jia, aged 38, is the Sales Manager of the industrial surfactants division of the Group. He is responsible for the overall sales of industrial surfactants division of the Group. Mr. Zhou graduated from Tian Jin Textile College in 1993 and received a bachelor degree in Knitting Chemical Engineering. He had over 15 experience in the textile industry. He joined the Group in 1996.

Ms. Judy Lau, aged 44, is the Chairman and an Executive Director of the cosmetics group. She started her business career in 1994. She has successfully led the launching of the "Marjorie Bertagne" (MB) brand in both Hong Kong and China. Ms. Lau is responsible for the cosmetics group's overall business development, strategic planning and execution of policies for both Hong Kong and China operation. Ms. Lau is the sister of Mr. Lau Jin Wei, Jim, an Executive Director and the daughter of Mr. Lau Ru Dong, the beneficial owner of the entire issued share capital of Motivated Workforce Consultants Limited.

Ms. Wong Wai Kwan Connie, aged 59, is the Chief Executive Officer and an Executive Director of the cosmetics group. She joined the Group in April 2000. Ms. Wong has over 31 years of experience in the skincare and colour cosmetics industry and had worked for various international leading brands such as Revlon, MaxFactor and Avon. Ms. Wong resigned as an Executive Director on 9 June 2006.

Ms. Lui Wai Mui Grace, aged 59, is the Chief Operation Officer and an Executive Director of the cosmetics group. She joined the cosmetics group in September 2004. Ms. Lui has over 31 years of experience in the skincare and colour cosmetics industry.

Mr. Chwang Tak Ming Joseph, aged 57, is the Production Manager of the cosmetics group. Mr. Chwang joined the cosmetics group in January 2007. He has over 21 years of experience in production implementation and management. Mr. Chwang holds a bachelor's degree in Business Administration from the University of Windsor, Canada.

Ms. Leung Yuen Ling, aged 40, is the Manager of the Marketing and Product Development Department of the cosmetics group. Ms. Leung joined the cosmetics group in January 2005 and she is responsible for marketing, product development, sales and promotion, public relations and advertising of our cosmetics business in Hong Kong and greater China. Ms. Leung has over 19 years of experience in sales and marketing in the cosmetics industry.

Mr. Siu Chu Sin, Vincent, aged 49, is the Project Manager of the cosmetics group's Research and Development Department. Mr. Siu joined the Group in February 2004 and is responsible for the research and development of bio-cosmetic products. He has over 17 years of experience in the field of biotechnology and he is experienced in large scale production of bio-cosmetic products being familiar with upstream and downstream processes. He received a bachelor's degree from Hong Kong University of Science and Technology in 2001.

Directors and Senior Management

Mr. Chu Wai Tak, aged 30, is the Project Manager of the cosmetics group's Research and Development Department as well as the Production Department of bio-cosmetic products. Mr. Chu joined our Group in June 2001 and he is responsible for the research and development as well as overseeing the production of bio-cosmetic products. He has over 8 years of experience in the field of biotechnology and he is experienced in large scale production of bio-cosmetic products being familiar with upstream and downstream processes. He received a bachelor's degree from Hong Kong University of Science and Technology in 2001.

Mr. Yang Xiaowu, aged 36, joined the Company as the Vice President of Investment Public Relation of our Group in March 2008, responsible for corporate finance and investor relations matters. Mr. Yang has over 13 years of experience in capital markets and corporate finance. Before joining the Company, Mr. Yang worked as Vice President in Global Markets of Deutsche Bank (Asia), and Director in CIBC World Markets. Mr. Yang holds a degree of MBA in Finance from Rotman School of Management, University of Toronto, Canada, and bachelor's degree in Economics from Guangzhou Institute of Foreign Trade, China. Mr. Yang is also a CFA charter holder.

Mr. Chow Kai Ming, aged 43, is the Financial Controller and Company Secretary of the Group. He is responsible for Group's finance and company secretarial matters. Mr. Chow holds a bachelor's degree in business administration from the Hong Kong Baptist University and is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 18 years of experience in finance and administration. He joined the Group in December 2001.

Ms. Huang Bilian, aged 45, joined the Group as Project Manager of Research and Development Department in January 2003 and is responsible for the research and development of bio-tech products. Ms. Huang received her bachelor's degree from Xiamen University in 1986. Before joining the Group, she worked from various pharmaceutical companies and hospitals as senior researcher in the bio-engineering field.

Mr. Wu Wei Qiang, aged 35, joined the Group as Senior Researcher in April 2001 and is responsible for the research and development of industrial and household products for the Group. Mr. Wu received his bachelor's degree from Dalian Technical University in 1997. He had over 11 years of experience in chemical industry.

Ms. Cai Fang, aged 28, joined the Group as Assistant to Purchasing Manager in April 2003 and is responsible for procurement of raw materials for industrial and household products. She had over 11 years of experience in the related field. She was promoted to Purchasing Manager in October 2007.

Mr. Qiu Jun Rong, aged 34, joined the Group as Production Supervisor in February 1998 and is responsible for the production of industrial products. Mr. Qiu has over 17 years of experience in the related industry. He was promoted to Production Manager of the industrial division in October 2007.

Ms. Wu Jian Rong, aged 34, joined the Group as Production Supervisor in February 1998 and is responsible for the production of household products. Ms. Wu has over 10 years of experience in the related industry. She was promoted to Production Manager of the household division in October 2007.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance will provide a framework of the Company and its subsidiaries (collectively the "Group") to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. The Board also believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence.

The Company has adopted most of the major code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In the opinion of the Board, the Company has complied with the applicable code provisions in the CG Code throughout the year ended 31 December 2008, except for certain deviations that are discussed later in this report.

BOARD OF DIRECTORS

Composition

The Board comprises six directors ("Director(s)") of the Company of which three are Executive Directors and three are Independent Non-executive Directors. The members of Directors and Board Committee as at the date of this annual report are as follows:

Executive Directors
Mr. Lau Jin Wei, Jim *(Chairman)*
Mr. Wong Ying Yin
Mr. Bang Young Bae

Independent Non-executive Directors
Mr. Lin Jian
Mr. Lee Pak Chung
Mr. Ho Yik Leung (appointed on 15 May 2008)
Mr. Ou Ying Ji (resigned on 15 May 2008)

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal controls and the conduct of business in conformity with applicable laws and regulations. Decisions requiring the Board's approval include, among others, all matters of objective and strategic importance, corporate governance practices, changes in Board members, major transactions and investment commitments, annual budget and financial matters, all policy matters etc. The day-to-day management, administration and operation of the Company are delegated to senior management which is accountable to the Board for the implementation of the Group's overall strategies and coordination of overall business operations.

Corporate Governance Report

The Board members are fully committed to their roles and have always acted, individually and collectively, in the best interests of the Company and its shareholders at all times. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship amongst Directors. Biographical details of the Directors are set out on pages 10 to 12 under the section headed "Directors and Senior Management" of this annual report.

During the year ended 31 December 2008 (the "Year"), the Board held 4 regular/special Board meetings. The attendance of each member at the Board meetings is set out below:

Name	**Number of meetings attended/Total**
Executive Directors	
Mr. Lau Jin Wei, Jim	4/4
Mr. Wong Ying Yin	4/4
Mr. Bang Young Bae	4/4
Independent Non-executive Directors	
Mr. Lin Jian	4/4
Mr. Lee Pak Chung	4/4
Mr. Ho Yik Leung (appointed on 15 May 2008)	2/4
Mr. Ou Ying Ji (resigned on 15 May 2008)	1/4

Notes:

1. One of the aforesaid Board meeting discussed matters regarding the directors' remuneration and re-election of directors.

2. The Chairman of the Board attended the Company's annual general meeting held on 13 May 2008.

Chairman

The roles of the Chairman of the Board and the Chief Executive Officer of the Company have been performed by Mr. Lau Jin Wei, Jim. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

Mr. Lau Jin Wei, Jim, being the Chairman of the Group since 25 September 2000, takes the lead in formulating overall strategies and policies of the Group; ensures the effective performance by the Board of its functions, including compliance with good corporate governance practices and encourages and facilitates active contribution of Directors in Board activities. He also ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

Executive Directors

The Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

Independent Non-executive Directors

The Independent Non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the Group and its shareholders. The Board consists of three Independent Non-executive Directors and one of them have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the Independent Non-executive Directors a confirmation of independence for the Year pursuant to Rule 3.13 of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

Service Term of Independent Non-executive Directors

In compliance with code provision A.4.1 of the CG Code, each Independent Non-executive Director should be appointed for a specific term and subject to re-election. All Independent Non-executive Directors are not appointed for a specific term but subject to retirement by rotation in accordance with the Articles of Association of the Company.

Mr. Lee Pak Chung is entitled to an annual director's fee of HK$50,000 as determined by the Board with regard to his duties and responsibilities, and time spent on the affairs of the Company. Mr. Lee has not entered into any service contract with the Company or any of its subsidiaries but he is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's articles of association.

Audit Committee

The Company established an audit committee on 28 October 2000. The audit committee currently comprises three Independent Non-executive Directors. The functions of the audit committee are:

- to make recommendations to the Board concerning the appointment, reappointment, retention, evaluation and termination of compensation and overseeing the work of the Company's independent auditor

- to approve all non-audit services to be provided by the Company's independent auditor

- to approve the remuneration and terms of engagement of the Company's independent auditor

- to review the relationships between the Company and the independent auditor

- to approve the hiring of any employee or former employee of the Company's independent auditor who was a member of the audit team during the preceding two years

Corporate Governance Report

- to review the Company's annual and interim financial statements, accounting policies and practices, the effectiveness of the Company's disclosure controls and procedures and developments in financial reporting practices and requirements

- to review the Company's risk assessment and management policies

- to review the adequacy and effectiveness of the Company's legal and regulatory compliance procedures

- to obtain and review reports from management and the independent auditor regarding compliance with applicable legal and regulatory requirements.

During the Year, the audit committee held 2 meetings with full attendance, details of which are set out below:

Members	**Number of meetings attended/Total**
Independent Non-executive Directors	
Mr. Ho Yik Leung (appointed on 15 May 2008)	1/2
Mr. Lin Jian	2/2
Mr. Lee Pak Chung *(Chairman)*	2/2
Mr. Ou Ying Ji (resigned on 15 May 2008)	1/2

Under code provisions C.3.4 of the CG Code, the terms of reference of audit committee are required to be made available on request and included on the issuer's website. At present, the terms of reference of the audit committee would be available on request and have not yet posted to the website.

Remuneration and Nomination Committees

The remuneration committee (the "Committee") was established on 27 June 2008. The terms of reference of the Committee were prepared in accordance with the Code on Corporate Governance as set out in Appendix 14 to the Rule Governing of the Listing Securities on the The Stock Exchange of Hong Kong Limited (the "CG Code"). The responsibility of the Committee, among other things, includes the following:

- to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and Senior Management of the Group

- to determine the remuneration packages of all Executive Directors and Senior Management

- to review and approve performance-based remuneration

- to review and approve the compensation payable to Executive Directors and Senior Management in connection with any loss or termination of office or appointment

- to ensure that no director or any of his associates is involved in deciding his own remuneration

Corporate Governance Report

Members of the Committee shall be appointed by the Board from amongst the members of the Board and shall consist of not less than three members and a majority of which should be Independent Non-executive Directors of the Company. The chairman of the Committee shall be appointed by the Board. The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolution passed by the Board and by the Committee.

The Company has not established any nomination committee and the Chairman of the Board is mainly responsible for identifying appropriate candidates to fill the casual vacancy whenever it arises or to add additional member as and when required. The Chairman will propose the qualified candidate(s) to the Board for consideration. The Board will approve the appointment based on the suitability and qualification of the candidate.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of the Directors, all Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the Year.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements of the Group for the Year. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The statement of the auditors of the Company regarding their responsibilities on the financial statements is set out in the Auditors' Report on pages 29 to 30 of this annual report.

Internal Controls

The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group to achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to manage risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Corporate Governance Report

The Group does not have an internal audit department and no formal independent internal control review had been performed for the year 2008. However, the Board has overall responsibilities for the maintenance of a sound and effective internal control system of the Group. During the Year under review, the Board has conducted a review of the effectiveness of the Group's internal control system and considered that it is adequate and effective.

In order to further strengthen the internal control system of the Group, the Group engaged an independent qualified professional to carry out the program on material operational systems in 2008.

Auditors' Remuneration

An analysis of the remuneration of the Company's auditors, Hopkins CPA Limited (2007: CCIF CPA Limited), for the Year is set out as follows:

Services rendered	**Fee paid/payable Approximately** *HK$*
Audit services (2007: HK$2,006,000)	1,250,000
Non-audit services	Nil
Taxation services	Nil
Other services	Nil
Total:	1,250,000

COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

To promote effective communication, the Company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in circulars to the shareholders to facilitate the enforcement of shareholders' rights;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.globalgreentech.com contains extensive information and updates on the Company's business developments and operations, financial information and other information.

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 23 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 14 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 31.

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

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 37 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 36 to the accounts.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2008 are set out in note 37 to the accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws in the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 3,000,000 of its ordinary shares of HK$0.1 each on the Stock Exchange. Details of the repurchases are set out in note 36(d) to the accounts.

SHARE OPTIONS

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 20 December 2001, the share option scheme adopted by the Company on 28 November 2000 (the "Old Scheme") was terminated and another share option scheme (the "New Scheme") was adopted. Upon termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme remain in force and all share options granted prior to such termination continue to be valid and exercisable in accordance therewith. As at 31 December 2008, there were 177,986,512 share options outstanding under the New Scheme. Details of the New Scheme are as follows:

(a) Purpose

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

(b) Eligible participants

Eligible participants of the New Scheme include the Company's Directors, including the Non-executive Directors and Independent Non-executive Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any minority shareholders of the Company's subsidiaries and any other person or entity determined by the Directors as having contributed or may contribute to the development and growth of the Group.

(c) Maximum number of issuable share options

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. As at 31 December 2008, no share options could be granted under the New Scheme unless the 10% general limit refreshed and approved by the shareholders in a general meeting.

(d) Maximum entitlement of each eligible participant

The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the New Scheme in any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, Chief Executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the Independent Non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting.

Report of the Directors

(e) Exercisable period

The exercisable period of the share options granted is determined by the Directors, and commences after a certain vesting period, if any, and ends on a date which is not later than 10 years from the date of the offer. The share options which are granted and remain unexercised immediately prior to the end of the expiry date of the New Scheme shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the New Scheme.

(f) Payment on acceptance of option

The offer of a grant of share options shall deemed to be accepted when the acceptance letter is duly signed by the grantee and the nominal consideration for the grant of HK$1 is received by the Company within 28 days from the date of the offer.

(g) Basis of determining the exercise price

The exercise price of the share option is determined by the Directors, but not less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

(h) Remaining life of the scheme

The New Scheme became effective on 20 December 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

As at 31 December 2008, there was no outstanding share options which was granted under the Old Scheme.

During the year, 280,000 share options were lapsed under the New Scheme.

Details of the share options outstanding as at 31 December 2008 which have been granted under the New Scheme are as follows:

			Number of share options					Company's share price(3)	
Participant	Date of grant	Exercise price *HK$*	1 January 2008	Granted during the year	Exercise during the year	Expired during the year	31 December 2008	At date of grant *HK$*	At date of exercise *HK$*
Executive Directors									
Wong Ying Yin	20 June 2006 (2)	0.89	176,000	–	–	–	176,000	0.89	N/A
Bang Young-bae	20 June 2006 (2)	0.89	150,000	–	–	–	150,000	0.89	N/A
Wong Ying Yin	25 March 2008 (1)	1.17	–	300,000	–	–	300,000	1.14	N/A
Bang Young-bae	25 March 2008 (1)	1.17	–	350,000	–	–	350,000	1.14	N/A
Wong Ying Yin	25 July 2008 (1)	0.91	–	400,000	–	–	400,000	0.90	N/A
Bang Young-bae	25 July 2008 (1)	0.91	–	450,000	–	–	450,000	0.90	N/A
			326,000	1,500,000	–	–	1,826,000		

Suppliers of goods or services, customers and others									
In aggregate	20 June 2006 [2]	0.89	30,250,000	–	(30,250,000)	–	–	0.89	0.60
	25 March 2008 [1]	1.17	–	53,000,000	(40,900,000)	–	12,100,000	1.14	1.46
	25 July 2008 [1]	0.91	–	96,500,000	–	–	96,500,000	0.90	N/A
			30,250,000	149,500,000	(71,150,000)	–	108,600,000		
Other employees									
In aggregate	13 June 2005 [1]	0.80	280,000	–	–	(280,000)	–	0.80	N/A
	20 June 2006 [2]	0.89	20,846,500	–	(1,727,000)	–	19,119,500	0.89	1.45
	25 March 2008 [1]	1.17	–	55,621,262	(33,000,000)	–	22,621,262	1.14	1.38
	25 July 2008 [1]	0.91	–	25,819,750	–	–	25,819,750	0.90	N/A
			21,126,500	81,441,012	(34,727,000)	(280,000)	67,560,512		
Share options granted under the New Scheme			51,702,500	232,441,012	(105,877,000)	(280,000)	177,986,512		

Notes:

(1) The exercisable period of the above share options is 3 years from the date of the grant as determined by the Directors.

(2) By the ordinary resolution passed on 9 April 2008, all outstanding options granted by the Company on 20 June 2006 pursuant to the share option scheme of the Company adopted by an ordinary resolution of the Company passed on 20 December 2001 shall be exercisable at any time after the date of passing of that resolution and up to 20 June 2010.

(3) The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average closing price of the shares immediately before the dates on which share options were exercised.

Summary of details of the Company's share option schemes are also set out in note 34 to the accounts.

The fair value of share options granted is recognised in profit and loss account taking into account the probability that the options will vest over the vesting period. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed, if any, prior to their exercise date are deleted from the outstanding options.

Subsequent to the balance sheet date, there is no new share option granted by the Company.

Report of the Directors

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors
Mr. Lau Jin Wei, Jim
Mr. Wong Ying Yin
Mr. Bang Young Bae

Independent Non-executive Directors
Mr. Lin Jian
Mr. Lee Pak Chung
Mr. Ho Yik Leung (appointed on 15 May 2008)
Mr. Ou Ying Ji (resigned on 15 May 2008)

Pursuant to Company's Articles of Association, the office of Mr. Ho Yik Leung will end at the annual general meeting. Mr. Ho Yik Leung, being eligible, offers himself for re-election at the annual general meeting.

In accordance with the Company's Articles of Association, Mr. Lee Pak Chung and Mr. Lin Jian will retire from office of Director by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's Articles of Association. The Independent Non-executive Directors are not appointed for specific terms, but are subject to retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out from page 10 to page 12.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of one year commencing from 1 January 2008 (the "Previous Contracts"). Upon the expiry of the Previous Contracts, each of the existing Executive Directors has renewed the service contract with the Company for a term of one year commencing from 1 January 2009 (the "New Contracts"). The New Contracts continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No other contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

No significant connected transactions were entered into by the Group during the year ended 31 December 2008, which constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES OR WARRANTS

As at 31 December 2008, the interests (which are all long positions) of the Directors and Chief Executives in the ordinary shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which they are deemed or taken to have under such provisions 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 were as follows:

	Number of ordinary shares/underlying shares held			
Name of Director	**Personal interests**	**Corporate interests**	**Family interests**	**Approximate percentage of interest**
Mr. Lau Jin Wei, Jim	3,940,000 (note (a))	–	72,240,000 (note (b))	5.71%
Mr. Wong Ying Yin	1,050,000 (note (c))	–	–	0.08%
Mr. Bang Young Bae	1,300,000 (note (d))	–	–	0.10%

Notes:

(a) The personal interest of Mr. Lau Jin Wei, Jim comprises 3,940,000 ordinary shares of the Company.

(b) There are 72,240,000 ordinary shares of the Company as shown above held by Motivated Workforce Consultants Limited ("MWC"), a company incorporated in the British Virgin Islands. The entire share capital of MWC is owned by Mr. Lau Ru Dong, the father of Mr. Lau Jin Wei, Jim.

Report of the Directors

(c) The personal interest of Mr. Wong Ying Yin comprises 174,000 ordinary shares and 876,000 underlying shares in respect of share options granted by the company to him, the details of which are stated in the above section "Share options".

(d) The personal interest of Mr. Bang Young Bae comprises 350,000 ordinary shares and 950,000 underlying shares in respect of share options granted by the company to him, the details of which are stated in the above section "Share options".

Save as disclosed above, none of the Directors, Chief Executives or their associates had any interest or short position 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of substantial shareholders maintained under Section 336 of the SFO showed that, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares	Percentage of the Company's share capital
MWC	72,240,000	5.42%
Inviting Finance Limited	89,263,040	6.70%
Bass J Kyle	98,700,000	7.40%
Sanlam Universal Funds plc	66,836,000	5.01%

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, the Company has not been notified by any other person (other than a director of the Company disclosed above) who has an interest or short position in the shares or underlying shares of the Company pursuant to Section 336 of the SFO as at 31 December 2008.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors, employees and eligible participants, details of the scheme is set out in note 34 to the accounts.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	9%
– five largest suppliers combined	33%
Sales	
– the largest customer	11%
– five largest customers combined	39%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

COMPLIANCE OF CODE OF CORPORATE GOVERNANCE PRACTICE OF LISTING RULES

Information on the Company's compliance of the Code of Corporate Governance Practice ("CG Code") as set out in Appendix 14 of the Listing Rules and deviations from certain code provisions of the CG Code for the year is set out in the Corporate Governance Report in this annual report.

AUDIT COMMITTEE

The Company's Audit Committee comprises three Independent Non-executive Directors, namely Mr. Ho Yik Leung, Mr. Lin Jian and Mr. Lee Pak Chung.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKICPA. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee met twice during the year of 2008 in conjunction with the auditors to review the internal controls, interim results and final accounts of the Group prior to recommending them to the Board for approval.

Report of the Directors

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors have an interest in any business constituting a competing business to the Group.

PENSION SCHEME ARRANGEMENTS

On 1 December 2000, the Group set up a Mandatory Provident Fund Scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and under control of an independent trustee.

Both the Group and its employees located in Hong Kong are required to contribute 5% of the employees' monthly salaries. The mandatory contributions required to be made by the Group and an employee are capped at HK$1,000 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

Pursuant to the relevant regulations of the government of the PRC, a subsidiary of the Company operates a local municipal government retirement benefits scheme (the "PRC Scheme") for its employees located in the PRC. The subsidiary is required to make contributions to the PRC Scheme at rates specified by the local practice and regulations and the local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the Group is to make the ongoing required contributions to the PRC Scheme.

The Group's retirement benefit costs are charged to the consolidated income statement when incurred and the aggregate contributions paid or payable by the Group was approximately HK$1,207,000 for the year ended 31 December 2008 (2007: HK$552,000). There were no provisions under the Group's retirement schemes whereby forfeited contributions may be used to reduce future contributions.

AUDITORS

The financial statements for the year ended 31 December 2008 were audited by Hopkins CPA Limited. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Hopkins CPA Limited as auditors of the Company.

On behalf of the Board

Lau Jin Wei, Jim
Chairman

Hong Kong, 20 April 2009

Independent Auditor's Report

HOPKINS CPA LIMITED
3/F, Sun Hung Kai Centre
30 Harbour Road
Hong Kong

To the Shareholders of Global Green Tech Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Global Green Tech Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 93, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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 financial statements based on our audit and to report 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 HKICPA. 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2008 and of the Group's results and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Hopkins CPA Limited
Albert Man-Sum Lam
Practising Certificate Number P02080
Hong Kong

20 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**1,339,707**	1,071,833
Cost of sales		**(846,911)**	(526,571)
Gross profit		**492,796**	545,262
Valuation gain on investment properties		**–**	3,013
Other revenue and net income	6	**160,531**	107,461
Selling and distribution expenses		**(100,267)**	(83,782)
General and administrative expenses		**(404,408)**	(138,996)
Profit from operations		**148,652**	432,958
Finance costs	7(a)	**(63,592)**	(14,377)
Profit before taxation	7	**85,060**	418,581
Income tax	8(a)	**(51,495)**	(60,122)
Profit for the year		**33,565**	358,459
Attributable to:			
Equity holders of the Company		**8,187**	311,772
Minority interests		**25,378**	46,687
Profit for the year		**33,565**	358,459
Earnings per share			
Basic	13(a)	**HK$0.0065**	HK$0.2785
Diluted	13(b)	**HK$0.0065**	HK$0.2571

The notes on pages 38 to 93 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Goodwill	15	**645,566**	459,428
Property, plant and equipment	16	**1,484,614**	1,085,699
Investment properties	17	**25,181**	23,500
Prepaid lease payments for land under operating leases	18	**178,602**	172,964
Intangible assets	19	**36,655**	27,563
Deposits for acquisition of property, plant and equipment	20	**175,624**	173,737
Deposits for acquisition of intangible assets	21	**–**	14,070
Other deposits and club debenture	22	**170**	170
		2,546,412	1,957,131
Current assets			
Prepaid lease payments for land under operating leases	18	**3,117**	2,966
Financial assets at fair value through profit or loss	24	**29,995**	198,786
Inventories	25	**94,880**	51,217
Trade and other receivables	26	**240,492**	166,762
Loan receivables	27	**63,142**	185,437
Fixed bank deposits	28	**5,000**	42,733
Cash and cash equivalents	29	**187,919**	472,989
		624,545	1,120,890
Current liabilities			
Trade and other payables	30	**(81,501)**	(163,572)
Current portion of convertible preference shares	31	**(199,431)**	–
Current portion of long-term bank loans	32	**(180,000)**	(60,000)
Current portion of obligations under finance leases	33	**(32)**	(39)
Tax payable		**(21,820)**	(44,885)
		(482,784)	(268,496)
Net current assets		**141,761**	852,394
Total assets less current liabilities		**2,688,173**	2,809,525

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Long-term bank loans	32	**–**	(180,000)
Obligations under finance leases	33	**(5)**	(34)
Deferred tax liabilities	35	**(1,106)**	(826)
Convertible preference shares	31	**–**	(134,191)
		(1,111)	(315,051)
NET ASSETS		**2,687,062**	2,494,474
CAPITAL AND RESERVES			
Share capital	36(a)	**133,321**	118,334
Reserves	37(a)	**2,486,887**	2,255,459
Total equity attributable to equity holders of the Company		**2,620,208**	2,373,793
Minority interests		**66,854**	120,681
TOTAL EQUITY		**2,687,062**	2,494,474

Approved and authorised for issue by the board of directors on 20 April 2009.

Director *Director*

The notes on pages 38 to 93 form part of these financial statements.

Balance Sheet

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	23	**580,671**	315,327
Current assets			
Amounts due from subsidiaries	23(a)	**1,348,107**	1,469,561
Trade and other receivables	26	**359**	160
Fixed bank deposits	28	**5,000**	5,000
Cash and cash equivalents	29	**2,439**	3,245
		1,355,905	1,477,966
Current liabilities			
Amounts due to subsidiaries	23(a)	**(451,186)**	(408,123)
Trade and other payables	30	**(420)**	(2,226)
Current portion of long-term bank loans	32	**(180,000)**	(60,000)
		(631,606)	(470,349)
Net current (liabilities)/assets		**(724,299)**	1,007,617
Total assets less current liabilities		**1,304,970**	1,322,944
Non-current liabilities			
Long-term bank loans	32	**–**	(180,000)
NET ASSETS		**1,304,970**	1,142,944
CAPITAL AND RESERVES			
Share capital	36(a)	**133,321**	118,334
Reserves	37(b)	**1,171,649**	1,024,610
TOTAL EQUITY		**1,304,970**	1,142,944

Approved and authorised for issue by the board of directors on 20 April 2009.

Director *Director*

The notes on pages 38 to 93 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Convertible preference share reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	104,658	784,877	900	–	11,325	18,694	22,425	–	791,028	1,733,907	7,954	1,741,861
Exercise of warrants	8,549	74,930	–	–	–	–	–	–	–	83,479	–	83,479
Exercise of share options	5,127	52,078	–	–	(11,640)	–	–	–	–	45,565	–	45,565
Transfers of reserves	–	–	–	–	–	70,111	–	–	(70,111)	–	–	–
Equity settled share-based payments transactions	–	–	–	–	9,239	–	–	–	–	9,239	–	9,239
2006 final dividend paid	–	–	–	–	–	–	–	–	(32,772)	(32,772)	–	(32,772)
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	30,709	–	–	30,709	–	30,709
Acquisition of additional interest in a subsidiary	–	–	165,259	–	–	–	–	–	–	165,259	66,040	231,299
Issue of convertible preference shares of a subsidiary	–	–	–	–	–	–	–	26,635	–	26,635	–	26,635
Profit for the year	–	–	–	–	–	–	–	–	311,772	311,772	46,687	358,459
At 31 December 2007 and 1 January 2008	118,334	911,885	166,159	–	8,924	88,805	53,134	26,635	999,917	2,373,793	120,681	2,494,474
Exercise of warrants	4,699	56,385	–	–	–	–	–	–	–	61,084	–	61,084
Exercise of share options	10,588	126,037	–	–	(21,702)	–	–	–	–	114,923	–	114,923
Equity settled share-based payments transactions	–	–	–	–	37,596	–	–	–	–	37,596	–	37,596
Share options lapsed during the year	–	–	–	–	(64)	–	–	–	64	–	–	–
Repurchase of shares:												
– Par value paid	(300)	–	–	300	–	–	–	–	(300)	(300)	–	(300)
– Premium paid	–	(1,402)	–	–	–	–	–	–	–	(1,402)	–	(1,402)
Acquisition of interest from minority shareholders	–	–	–	–	–	–	–	–	–	–	(79,205)	(79,205)
Transfers of reserves	–	–	–	–	–	21,316	–	–	(21,316)	–	–	–
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	26,327	–	–	26,327	–	26,327
Profit for the year	–	–	–	–	–	–	–	–	8,187	8,187	25,378	33,565
At 31 December 2008	133,321	1,092,905	166,159	300	24,754	110,121	79,461	26,635	986,552	2,620,208	66,854	2,687,062

The notes on pages 38 to 93 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit before taxation	**85,060**	418,581
Adjustments for:		
Valuation gain of investment properties	**–**	(3,013)
Depreciation	**84,542**	76,135
Amortisation		
– Prepaid lease payments for land under operating leases	**3,117**	2,851
– Intangible assets	**7,436**	6,989
Interest income	**(8,947)**	(13,066)
Loss on disposal of property, plant and equipment	**167**	1,534
Valuation loss/(gain) on financial assets at fair value through profit or loss	**167,986**	(27,342)
Write-down of inventories	**73,685**	–
Reversal of write-down on inventories	**–**	(2,656)
Impairment loss on trade and other receivables	**41,220**	8,895
Write off of bad debts	**20**	2,078
Write back of impairment loss on trade receivables	**(731)**	(6,243)
Equity settled share-based payments expenses	**37,596**	9,239
Other borrowing costs	**150**	558
Interest element of finance lease rentals	**4**	4
Interest expense on bank advances and other borrowings	**63,438**	13,815
Effect of foreign exchange rate changes	**(59,131)**	–
Operating cash flows before changes in working capital	**495,612**	488,359
Decrease in financial assets at fair value through profit or loss	**805**	4,832
Increase in inventories	**(115,793)**	(15,361)
Increase in trade and other receivables	**(118,175)**	(34,409)
Decrease/(increase) in loan receivables	**122,295**	(162,437)
Decrease in trade and other payables	**(89,655)**	(20,417)
Cash generated from operations	**295,089**	260,567
Tax paid		
Hong Kong profits tax paid	**(1,511)**	(1,118)
Overseas income tax paid	**(53,077)**	(39,443)
Net cash generated from operating activities	**240,501**	220,006

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Investing activities			
Acquisition of additional interest in a subsidiary		**(265,343)**	(241,090)
Purchases of property, plant and equipment		**(411,410)**	(113,828)
Proceeds from disposal of property, plant and equipment		**8**	242
Deposits paid for acquisition of property, plant and equipment		**–**	(11,237)
Interest received		**8,947**	5,352
Decrease/(increase) in fixed bank deposits		**37,733**	(42,733)
Net cash used in investing activities		**(630,065)**	(403,294)
Financing activities			
Proceeds from issue of convertible preference shares of a subsidiary		**–**	160,826
New borrowings raised from long-term bank loans		**–**	100,000
Payment for repurchase of shares		**(1,702)**	–
Repayment of long-term bank loans		**(60,000)**	(60,000)
Proceeds from exercise of warrants		**61,084**	83,479
Proceeds from exercise share options		**114,923**	45,565
Capital element of finance lease rentals paid		**(36)**	(39)
Interest element of finance lease rentals paid		**(4)**	(4)
Interest paid on bank advances and other borrowings		**(17,205)**	(13,815)
Other borrowing costs paid		**(150)**	(558)
Dividend paid to equity shareholders of the Company		**–**	(32,772)
Net cash generated from financing activities		**96,910**	282,682
Net (decrease)/increase in cash and cash equivalents		**(292,654)**	99,394
Cash and cash equivalents at the beginning of the year		**472,989**	405,181
Effect of foreign exchange rate changes		**7,584**	(31,586)
Cash and cash equivalents at the ended of the year	29	**187,919**	472,989

Notes to the Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

Global Green Tech Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 25 September 2000 under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is listed on Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). The registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activities of the Company are investment holding and its subsidiaries are principally engaged in manufacturing and sale of household products, industrial products, cosmetics and skincare products and bio-technology products with medical and cosmetics applications, provision of loan financing services and investment and/or trading in market securities, bonds, foreign currencies, various funds and other income generated fixed assets' portfolios.

The consolidated financial statements are presented in Hong Kong Dollars "HK$", which is the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("SEHK"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflect in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the following assets and liabilities which are stated at their fair value as explained in the accounting policies set out below:

– Financial instruments classified as financial assets at fair value through profit or loss (see note 2(e));

– Investment properties (see note 2(f)); and

– Convertible preference shares (see note 2(n)).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Basis of preparation of the financial statements (cont'd)

The preparation of financial statements are conformity to HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interest that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see note 2(j)).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(j)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

On disposal of a cash generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

e) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in the income statement.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(j)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(j)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from change in fair value or from the retirement or disposal of investment properties are recognised in the income statement. Rental income from investment properties is accounted for as described in note 2(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment properties are accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment properties at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

g) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(h)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings held for own use	over 50 years and the unexpired term of the relevant lease whichever is shorter
–	Leasehold improvements	2 – 20 years
–	Plant and machinery	5 – 20 years
–	Furniture, fixtures and equipment	2 – 20 years
–	Motor vehicles	5 – 10 years

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Property, plant and equipment (cont'd)

Where parts of an item of property, plant equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note 2(f)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charge to the income statement in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Leased assets (cont'd)

iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment property (see note 2(f)).

i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour; and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– licenses 10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Impairment of assets

i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable date that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtors;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

– If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Impairment of assets (cont'd)

i) Impairment of investments in debt and equity securities and other receivables (cont'd)

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);
– investment properties;
– prepaid lease payments for land under operating leases;
– intangible assets;
– investments in subsidiaries; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In additions, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Impairment of assets (cont'd)

ii) Impairment of other assets (cont'd)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(j)).

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) Convertible preference shares

Convertible preference shares issued by the Company that contain liability, conversion option and redemption option (which is not closely related to the host liability component) 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. At the date of issue, both the liability and redemption option components are measured at fair value. The difference between the gross proceeds of the issue of the convertible loan notes and the fair values assigned to the liability and redemption option components, representing the conversion option for the holder to convert the convertible preference share into equity, is included in equity (convertible preference share reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The redemption option is measured at fair value with changes in fair value recognised in the income statement.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible preference share reserve until the embedded conversion option is exercised (in which case the balance stated in convertible preference share reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible preference share reserve will be released to the retained profits. No gain or loss is recognised in the income statement upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible preference share are allocated to the liability, equity and redemption option 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 redemption option are charged to the income statement immediately. 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 preference share using the effective interest method.

o) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

q) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

r) Income tax (cont'd)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

t) Revenue recognition (cont'd)

ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the lease asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

v) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of assets are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

vi) Royalty income

Royalty income is recognised on monthly basis in accordance with the terms and condition of the royalty agreement.

u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

u) Translation of foreign currencies (cont'd)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the income statement on disposal.

v) Borrowing costs

Borrowing costs are expensed in the income statement in the period which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

w) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in note 2(w)(i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chose business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

Notes to the Financial Statements

For the year ended 31 December 2008

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

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new HKFRSs, HKASs and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in the financial statements.

The new standards, amendments to standards and interpretations have been issued but are not effective for year ended 31 December 2008 and have not been early adopted by the Group are as follows:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives[4]
HK(IFRIC) – Int 13	Customer loyalty programmes[5]
HK(IFRIC) – Int 15	Agreements for the construction of real estate[2]
HK(IFRIC) – Int 16	Hedges of a net investment in foreign operation[6]
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners[3]
HK(IFRIC) – Int 18	Transfers of assets from customers[7]

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

The application of HKFRS 3 (Revised) may affect the Group's accounting treatment for business combinations for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. 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 results and the financial position of the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Impairment of property, plant and equipment

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

b) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. The Group will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write off or write down technically obsolete or on-strategic assets that have been abandoned or sold.

c) Investment properties

The fair values of investment properties are determined by the Group's management on an open market basis.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market date and actual transactions entered into by the Group.

d) Impairment of intangible assets and goodwill

The Group performs annual tests on whether there has been impairment of intangible assets and goodwill in accordance with the accounting policy stated in note 2(j)(ii). The recoverable amounts of cash generating units are determined based on value in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Notes to the Financial Statements

For the year ended 31 December 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

e) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

f) Inventories

The Group performs regular review of the carrying amounts of inventories with the aged inventories analysis expected future consumption and management judgment. Based on this review, write down of inventories will be made when the carrying amount of inventories decline below the estimated net realisable value. However, actual consumption may be different from estimation and profit or loss could be affected by differences in this estimation.

g) Impairment of receivables

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

h) Taxation

The Group is subject to various taxes in the People's Republic of China ("PRC"). Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

Notes to the Financial Statements

For the year ended 31 December 2008

5. TURNOVER

The principal activities of the Group are manufacturing and sale of household products, industrial products, cosmetics and skincare products and biotechnology products with medical and cosmetic applications, provision of loan financing services and investment and/or trading in marketable securities, bonds, foreign currencies, various funds and other income generated fixed assets' portfolios.

Turnover represents the sales value of goods supplied to customers net of value added tax, sales returns and discount. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Household products	**132,420**	167,191
Industrial products	**422,248**	296,395
Cosmetics and skincare products	**617,390**	583,267
Biotechnology products	**8,532**	7,781
Investments	**159,117**	17,199
	1,339,707	1,071,833

6. OTHER REVENUE AND NET INCOME

	2008	2007
	HK$'000	HK$'000
Other revenue:		
Government grants	**–**	823
Bank interest income	**4,975**	4,094
Loan interest income	**3,735**	8,767
Other interest income	**237**	205
Rental income from operating leases	**3,436**	2,539
Reversal of write-down of inventories	**–**	2,656
Bad debts recovery	**731**	6,243
Sales of scrap materials	**–**	1,063
Others	**3,991**	1,596
	17,105	27,986
Other net income:		
Net unrealised gain on financial assets at fair value through profit or loss	**–**	27,342
Net exchange gain	**143,426**	52,133
	143,426	79,475
	160,531	107,461

Notes to the Financial Statements

For the year ended 31 December 2008

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2008 HK$'000	2007 HK$'000
a) Finance costs		
Interest expense on bank advances and other borrowings wholly repayable within five years	**63,438**	13,815
Finance charges on obligations under finance leases	**4**	4
Other borrowing costs	**150**	558
	63,592	14,377
b) Staff costs (excluding directors' remuneration)		
Salaries, wages and other benefits	**60,421**	47,580
Equity settled share-based payment expenses	**37,367**	9,180
Contributions to defined contribution retirement plans	**1,207**	552
Unutilised annual leave	**–**	223
	98,995	57,535
c) Other items		
Auditors' remuneration	**8,933**	4,006
Cost of inventories	**547,440**	438,552
Depreciation		
– assets held under finance leases	**18**	18
– other assets	**84,524**	76,117
Amortisation		
– prepaid lease payments for land under operating leases	**3,117**	2,851
– intangible assets	**7,436**	6,989
Loss on disposal of property, plant and equipment	**167**	1,534
Impairment loss on trade and other receivables	**41,220**	8,895
Write off of bad debts	**20**	2,078
Operating lease charges: minimum lease payments		
– property rentals	**10,301**	6,901
Research and development costs	**22,817**	6,306
Valuation loss on financial assets at fair value through profit or loss	**167,986**	–
Write-down of inventories	**73,685**	–

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current tax – Hong Kong profits tax		
Provision for the year	**201**	2,151
Over-provision in prior years	**(72)**	–
	129	2,151
Current tax – Overseas income tax		
Provision for the year	**51,086**	50,220
Deferred tax		
Origination of temporary differences	**280**	7,751
	51,495	60,122

Provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

b) Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**85,060**	418,581
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**52,460**	119,811
Tax effect of non-deductible expenses	**18,634**	32,129
Tax effect of non-taxable income	**(16,943)**	(26,052)
Tax effect of movement in unrecognised temporary differences	**82**	(741)
Tax effect of unused tax losses not recognised	**46,841**	19,533
Tax effect of utilisation of tax losses not recognised	**–**	(3,350)
Preferential tax treatment (note)	**(52,549)**	(88,010)
Deferred tax assets overprovided in prior years	**–**	7,355
Deferred tax liabilities overprovided in prior years	**–**	(553)
Over-provision in prior years	**(72)**	–
Others	**3,042**	–
Tax expense for the year	**51,495**	60,122

Notes to the Financial Statements

For the year ended 31 December 2008

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (cont'd)

b) Reconciliation between tax expense and accounting profit at applicable tax rates is as follows: (cont'd)

Note:

Overseas tax provision is required to be made in respect of Dongguan Proamine Chemical Co., Limited ("Dongguan Proamine"), Dongguan Gao Bao Chemical Co., Limited ("Gao Bao Chemical"), Global Cosmetics (China) Co., Limited ("Global Cosmetics"), and Dongguan Polygene Biotech R&D Co., Limited ("Dongguan Polygene"), all of them are subsidiaries of the Company established in the PRC. In accordance with the relevant income tax rules and regulations, the enacted income tax rate was 33%. In accordance with the relevant income tax rules and regulations of Guangdong Province, Global Cosmetics was entitled to preferential tax treatment by reducing the Foreign Enterprise Income Tax ("FEIT") rate to 24%. After the implementation of New Law, the tax rate is unified at 25% for the year ended 31 December 2008.

Pursuant to a letter of approval issued by the local tax authority on 8 April 2005. Global Cosmetics was exempted from FEIT for the first two profitable years of its operations after offsetting prior years' losses and is entitled to a 50% reduction on the FEIT for the following three years. Global Cosmetics began its first two profitable years in the year ended 31 December 2004 and 2005, and is subject to PRC FEIT at a rate of 12% for each of the three years ended 31 December 2008. On 27 December 2007, Global Cosmetics was further awarded Hi-and-New Tech Enterprise of Guangdong Province ("高新技術企業外商投資企業") by the Guangdong Science and Technology Council. Due to the accreditation of this award Global Cosmetics enjoys a preferential income tax rate of 15% for years 2009 to 2013.

On 30 May 2003, Dongguan Proamine was accredited by the Department of Science and Technology of Guangdong Province as a Hi-and-New Tech Enterprise ("高新技術企業外商投資企業") of Guangdong Province. On 16 January 2004, Dongguan Proamine received a written confirmation from Dongguan Local Tax Bureau that it was entitled to a reduced income tax rate of 15% for the period from 1 January 2003 to 31 December 2005. On 1 June 2005, Dongguan Proamine continued to be accredited as a Hi-and-New Tech Enterprise of Guangdong Province and the income tax rate remained as 15% for two years. On 28 April 2007, Dongguan Proamine renewed its status as Hi-and-New Tech Enterprise of Guangdong Province and continued to enjoy income tax rate of 15% for two years. On 16 December 2008, Dongguan Proamine renewed its accredition as Hi-and-New Tech Enterprise of Guangdong Province for three years and it continued to enjoy preferential income tax rate of 15%.

Pursuant to a letter of approval issued by the local tax authority on 1 July 2005, Gao Bao Chemical was exempted from EIT for the first two profitable years of its operations after offsetting prior years' losses and are entitled to a 50% reduction on the EIT for the following three years. Gao Bao Chemical began its first profitable year in the year ended 31 December 2005 and obtained tax exemption for 2005 and 2006, and was entitled to a reduced income tax rate for 2007, 2008 and 2009.

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 December 2008

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Lau Jin Wei, Jim	–	2,060	–	12	2,072
Wong Ying Yin	–	435	112	12	559
Bang Young-Bae, Ray	–	660	126	12	798
Independent Non-executive Directors					
Ho Yik Leung (Note 1)	160	–	–	–	160
Ou Ying Ji (Note 2)	–	–	–	–	–
Lin Jian	20	–	–	–	20
Lee Pak Chung	20	–	–	–	20
	200	3,155	238	36	3,629

Note 1: Appointed on 15/5/2008.

Note 2: Retired on 15/5/2008.

For the year ended 31 December 2007

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Lau Jin Wei, Jim	–	2,168	–	12	2,180
Wong Ying Yin	–	387	32	12	431
Bang Young-Bae, Ray	–	720	27	12	759
Independent Non-executive Directors					
Ou Ying Ji	20	–	–	–	20
Lin Jian	20	–	–	–	20
Lee Pak Chung	50	–	–	–	50
	90	3,275	59	36	3,460

The above emoluments for the year ended 31 December 2008 include the value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. The details of these benefits in kind are disclosed note 34.

No director received any emoluments from the Group as an inducement to join or leave the Group or compensate for loss of office. No director waived or has agreed to waive any emoluments during the year.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2007: one) is director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four (2007: four) individuals are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other emoluments	5,873	5,212
Share-based payments	1,499	508
Retirement scheme contributions	48	48
	7,420	5,768

The emoluments of the four (2007: four) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
HK$Nil – HK$1,000,000	–	2
HK$1,000,001 – HK$1,500,000	2	1
HK$1,500,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	1	–

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of approximately HK$49,875,000 (2007: profit of HK$10,715,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	2008 HK$'000	2007 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.03 per ordinary share	–	32,772

13. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of approximately HK$8,187,000 (2007: HK$311,772,000) and the weighted average number of approximately 1,260,214,000 shares (2007: 1,119,389,000 shares) in issue during the year, calculated as follows:

	2008 '000	2007 '000
Issued ordinary shares at 1 January	**1,183,346**	1,046,579
Effect of warrants exercised	**26,243**	45,677
Effect of share options exercised	**51,316**	27,133
Effect of share repurchased	**(691)**	–
Weighted average number of ordinary shares at 31 December	**1,260,214**	1,119,389

b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company of approximately HK$8,187,000 (2007: HK$311,772,000) and the weighted average number of diluted ordinary shares of approximately 1,264,945,000 shares (2007: 1,212,833,000 shares), calculated as follows:

	2008 '000	2007 '000
Weighted average number of ordinary shares at 31 December	**1,260,214**	1,119,389
Effect of deemed issue of shares attributable to the Company's instrument of warrants	**–**	51,797
Effect of deemed issue of shares under the Company's share option scheme	**4,731**	41,647
Weighted average number of ordinary shares (diluted) at 31 December	**1,264,945**	1,212,833

14. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

a) Household products segment – manufacture of household products for sale to wholesalers and retailers in the general consumer market;

b) Industrial products segment – manufacture of industrial surfactants for sale principally to textile and garment manufactures and traders;

14. SEGMENT REPORTING (cont'd)

Business segments (cont'd)

c) Cosmetics and skincare products segment – manufacture of cosmetics and skincare products under the brand name of Marjorie Bertagne for sale to authorised distributors and retailers in the general consumer market;

d) Biotechnology products segment – manufacture of biotechnology products with medical applications; and

e) Investments segment – engaged in provision of loan financing services and investment and/or trading in market securities, bonds, foreign currencies, various funds and other income generated fixed assets' portfolios.

Primary reporting format – business segments

	Household products		Industrial products		Cosmetics and skincare products		Biotechnology products		Investments		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**132,420**	167,191	**422,248**	296,395	**617,390**	583,267	**8,532**	7,781	**159,117**	17,199	**1,339,707**	1,071,833
Segment results	**49,380**	42,442	**72,923**	72,738	**271,791**	296,891	**873**	1,580	**(199,728)**	20,773	**195,239**	434,424
Unallocated operating income and expenses											**(46,587)**	(1,466)
Profit from operations											**148,652**	432,958
Finance costs											**(63,592)**	(14,377)
Profit before taxation											**85,060**	418,581
Income tax											**(51,495)**	(60,122)
Profit for the year											**33,565**	358,459
Depreciation	**11,420**	16,218	**30,144**	25,175	**42,442**	34,141	**536**	601	**–**	–	**84,542**	76,135
Amortisation	**–**	2,802	**–**	4,350	**2,827**	2,584	**7,726**	104	**–**	–	**10,553**	9,840
Loss on disposal of property, plant and machinery	**65**	593	**102**	920	**–**	–	**–**	21	**–**	–	**167**	1,534
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**167,986**	(27,342)	**167,986**	(27,342)
Write-down of inventories	**–**	–	**73,685**	–	**–**	–	**–**	–	**–**	–	**73,685**	–
Reversal of write-down inventories	**–**	(73)	**–**	(113)	**–**	(2,467)	**–**	(3)	**–**	–	**–**	(2,656)
Impairment loss on trade and other receivables	**16,150**	3,435	**25,070**	5,333	**–**	–	**–**	127	**–**	–	**41,220**	8,895
Write off of bad debts	**5**	49	**14**	75	**–**	1,952	**1**	2	**–**	–	**20**	2,078
Bad debts recovery	**–**	(45)	**–**	(70)	**–**	(6,128)	**–**	–	**–**	–	**–**	(6,243)

14. SEGMENT REPORTING (cont'd)

Primary reporting format – business segments (cont'd)

	Household products		Industrial products		Cosmetics and skincare products		Biotechnology products		Investments		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**311,016**	298,143	**831,942**	462,810	**1,266,474**	1,183,698	**48,595**	35,755	**91,908**	386,644	**2,549,935**	2,367,050
Investment properties											**25,181**	23,500
Cash and cash equivalents											**192,919**	472,989
Other unallocated assets											**402,922**	214,482
Total assets											**3,170,957**	3,078,021
Segment liabilities	**13,907**	41,511	**37,200**	69,075	**244,530**	89,721	**–**	–	**1,024**	959	**296,661**	201,266
Unallocated liabilities											**187,234**	382,281
Total liabilities											**483,895**	583,547
Capital expenditure	**126,161**	11,421	**195,843**	17,728	**88,667**	129,739	**–**	423	**–**	–	**410,671**	159,311
Unallocated capital expenditure											**738**	1,808
											411,409	161,119

Geographical segments

The Group operates in two main geographical areas:

The PRC – manufacturing and trading of household products, industrial products, cosmetics and skincare products and biotechnology products with medical applications.

Hong Kong – trading of household products, industrial products and cosmetic and skincare products and provision of loan financing services and investments and/or trading in marketable securities, bonds, foreign currencies, various funds and other income generated fixed assets' portfolios.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of Company's subsidiaries. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		The PRC	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**254,805**	111,239	**1,084,902**	960,594
Segment results	**(165,805)**	62,585	**361,044**	371,839
Segment assets	**290,579**	138,559	**2,259,356**	2,228,491
Capital expenditure incurred during the year	**738**	3,638	**410,671**	157,481

15. GOODWILL

	The Group HK$'000
Cost	
At 1 January 2007	–
Arising from acquisition of additional interest in subsidiary	459,428
At 31 December 2007 and 1 January 2008	459,428
Arising from acquisition of additional interest in subsidiary	186,138
At 31 December 2008	645,566
Accumulated impairment loss	
At 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008	–
Carrying amount	
At 31 December 2008	645,566
At 31 December 2007	459,428

Pursuant to an acquisition agreement dated 2 January 2007, the Group acquired 6,800,000 shares of HK$1 each in the issued share capital of Global Cosmetics (HK) Company Limited ("Cosmetics HK") (representing 17% of the entire issued share capital of Cosmetics HK) from Cristal Marketing Management Company Limited ("Cristal Marketing"), a minority shareholder of a subsidiary of the Company which held 30% in Cosmetics HK, for a consideration of HK$241,090,000. The consideration was determined having regard to the net asset value and earnings of Cosmetics HK and its subsidiary and the market potential of their business. After the acquisition, the percentage of the issued share capital of Cosmetics HK held by the Group was changed from 70% to 87% and the goodwill arising from the acquisition by the Group amounted to approximately HK$222,963,000 with reference to the consideration paid amounting to approximately HK$241,090,000 and the carrying amounts of the net assets acquired amounting to approximately HK$18,127,000.

Pursuant to an acquisition agreement dated 16 August 2007, the Group acquired 5,200,000 shares of HK$1 each in the issued share capital of Cosmetics HK (representing 13% of the entire issued share capital of Cosmetics HK) from Cristal Marketing, for a consideration of approximately HK$274,058,000 which was paid by the Company by transfer of 13,936,390 ordinary shares of HK$0.10 each of the Bio Beauty Group Ltd. ("Bio Beauty"). The consideration was determined based on (i) profitability of Cosmetics HK and Bio Beauty for the year ended 31 December 2006 and (ii) the profit earning ratio of Bio Beauty calculated with reference to the subscription price of the convertible preference share (see note 31) in issue. After the acquisition, the percentage of the issued share capital of Cosmetics HK held by the Group was changed from 87% to 100% and the goodwill arising from the acquisition by the Group amounted to approximately HK$236,465,000 with reference to the consideration paid amounting to approximately HK$274,058,000 and the carrying amounts of the net assets acquired amounting to approximately HK$37,593,000.

15. GOODWILL (cont'd)

By the announcement dated 12 September 2008, the Company entered into the acquisition agreement in relation to the sales and purchase of approximately 8.54% of the entire issued share capital of Bio Beauty at cash consideration of approximately HK$265.34 million. Goodwill arose from the transaction was HK$186.14 million. The acquisition will increase earnings of the Group by the amount of the increase in Group's sharing of profits after tax of BBG and its subsidiaries from 84.6% to 93.2%.

All of the goodwill is allocated to the Cash Generating Unit ("CGU") of cosmetics business in Hong Kong and the PRC. During the year ended 31 December 2008, management of the Group determines that there was no impairment of any of its CGU containing goodwill.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year ended 31 December 2008, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using the discount rate of 10% which reflects current market assessments of the time value of money and the credit risk specific to the CGUs. The cash flows for the remaining 15 years are extrapolated using a constant growth rate of 12% per annum which is made with reference to the GDP growth rate in the PRC and also the industry growth forecasts for cosmetics business. No impairment loss was considered necessary.

16. PROPERTY, PLANT AND EQUIPMENT

a) The Group

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2007	210,210	206,890	590,865	20,434	9,213	91,395	1,129,007
Exchange adjustment	16,153	4,011	43,650	8,946	286	4,146	77,192
Additions	18,702	6,091	71,060	43,170	634	21,462	161,119
Disposals	–	–	(2,545)	–	(408)	–	(2,953)
Transfers	37,921	(137,860)	56,187	103,499	(31)	(59,716)	–
At 31 December 2007 and 1 January 2008	282,986	79,132	759,217	176,049	9,694	57,287	1,364,365
Exchange adjustment	18,788	5,601	52,570	10,544	323	4,075	91,901
Additions	–	988	16,878	6,309	–	387,235	411,410
Disposals	–	–	(242)	–	(228)	–	(470)
Transfers	–	–	43,873	25,354	–	(69,227)	–
At 31 December 2008	301,774	85,721	872,296	218,256	9,789	379,370	1,867,206
Accumulated depreciation							
At 1 January 2007	7,702	14,151	147,370	15,662	3,772	–	188,657
Exchange adjustment	659	387	12,664	1,201	140	–	15,051
Charge for the year	4,613	3,460	56,750	9,364	1,948	–	76,135
Disposals	–	–	(639)	–	(538)	–	(1,177)
Transfers	–	(8,496)	444	8,238	(186)	–	–
At 31 December 2007 and 1 January 2008	12,974	9,502	216,589	34,465	5,136	–	278,666
Exchange adjustment	1,094	747	15,954	1,712	172	–	19,679
Charge for the year	12,018	8,358	53,263	9,601	1,302	–	84,542
Disposals	–	–	(67)	–	(228)	–	(295)
At 31 December 2008	26,086	18,607	285,739	45,778	6,382	–	382,592
Net book value							
At 31 December 2008	275,688	67,114	586,557	172,478	3,407	379,370	1,484,614
At 31 December 2007	270,012	69,630	542,628	141,584	4,558	57,287	1,085,699

b) As at 31 December 2008, the net book value of furniture, fixtures and equipment of approximately HK$172,478,000 (2007: HK$141,584,000) included an amount of approximately HK$24,000 (2007: HK$43,000) in respect of assets held under finance leases.

17. INVESTMENT PROPERTIES

The Group

	2008 HK$'000	2007 HK$'000
At 1 January	**23,500**	19,240
Exchange adjustment	**1,681**	1,247
Valuation gain on investment properties	**–**	3,013
At 31 December	**25,181**	23,500

Investment properties are interests in land and buildings held in the People's Republic of China under medium term leases.

The Group's investment properties were valued on 31 December 2008 by the management at HK$25,181,000, which was estimated by reference to available similar market information.

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

18. PREPAID LEASE PAYMENTS FOR LAND UNDER OPERATING LEASES

The net book value of the Group's prepaid lease payments for land under operating leases is analysed as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Lease between 30 to 40 years	**39,015**	39,015
Outside Hong Kong, held on:		
Leases of 50 years	**142,704**	136,915
	181,719	175,930
Analysed for reporting purposes as:		
Current portion	**3,117**	2,966
Non-current portion	**178,602**	172,964
	181,719	175,930

In the opinion of the directors, the deposits for acquisition of interests in leasehold land held for own use under operating leases of HK$39,015,000 (2007: HK$39,015,000) was classified as non-current portion of prepaid lease payments for land under operating leases with the lease commencing in 2010 and no amortisation was provided for the year ended 31 December 2008.

The amortisation charge for the year is included in cost of sales in the consolidated income statement.

19. INTANGIBLE ASSETS

	Licenses HK$'000
Cost	
At 1 January 2007	86,857
Exchange adjustment	2,996
At 31 December 2007 and 1 January 2008	89,853
Exchange adjustment	3,779
Reclassifications	15,267
At 31 December 2008	108,899
Accumulated amortisation	
At 1 January 2007	54,066
Exchange adjustment	1,235
Amortisation for the year	6,989
At 31 December 2007 and 1 January 2008	62,290
Exchange adjustment	2,518
Amortisation for the year	7,436
At 31 December 2008	72,244
Carrying amount	
At 31 December 2008	36,655
At 31 December 2007	27,563

Licences comprise licence rights acquired from independent third parties to exploit technical know-how for the manufacture of certain biotechnology products with medical applications. The underlying products relating to the licences acquired have been put into commercial production. Amortisation on the cost of licences has been provided on a straight-line basis over their estimated useful lives to the Group.

The amortisation charge for the year is included in cost of sales in the consolidated income statement.

20. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2008, the Group paid a total sum of approximately HK$175,624,000 (2007: HK$173,737,000) as deposits for the acquisition of certain property, plant and equipment, which comprise plant and machinery for manufacturing operations as well as for a new business line of recycling waste tyres and plastic products into usable oil, diesel, gasoline and natural gas.

The Group's application for a site located at Yuen Long Industrial Estate to pursue its recycling business was approved by Hong Kong Science and Technology Parks Corporation. It is expected that the Group will invest in aggregate approximately HK$310,000,000 to pursue the recycling business plant and machinery and the Company expects that the recycling plant will start commercial production in year 2010.

Capital commitments of the Group in respect of the remaining unpaid balances of approximately HK$149,984,000 (2007: HK$112,108,000) for these purchases are disclosed in note 40(a) to the financial statements.

21. DEPOSITS FOR ACQUISITION OF INTANGIBLE ASSETS

At 31 December 2007, the Group paid a total sum of approximately HK$14,070,000 as deposits for the purchase of the licenses rights for the manufacturing of enzymes. The underlying products relating to the licenses acquired will put into commercial production. The deposit and further contract sums will be capitalised as intangible assets upon subsequent completion and transfer of the intangible assets to the Group. During the year, the deposits were transferred to intangible assets of the Group.

Capital commitments of the Group in respect of the remaining unpaid balances of approximately HK$nil (2007: HK$475,000) for these acquisitions are disclosed in note 40(a) to the financial statements.

22. OTHER DEPOSITS AND CLUB DEBENTURE

	The Group	
	2008	2007
	HK$'000	HK$'000
Club debenture	**460**	460
Less: Impairment loss on club debenture	**(290)**	(290)
	170	170

23. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**580,671**	315,327

a) Amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2008

23. INVESTMENTS IN SUBSIDIARIES (cont'd)

b) Particulars of the major subsidiaries at 31 December 2008 are as follows:

Name	Place of incorporation/ establishment	Principal activities/ place of operation	Particulars of issued and paid-up share/ contributed capital	Interest held
Bio Beauty Group Ltd.*	The Cayman Islands	Investment holding/ Hong Kong	90,850,000 ordinary shares of HK$0.1 each	93.2%#
Global Success Properties Limited	The British Virgin Islands ("BVI")	Investment holding/ Hong Kong	200 ordinary shares of US$1 each	100%#
GCC Finance Company Limited	Hong Kong	Provision of loan financing services/ Hong Kong	2 ordinary shares of HK$1 each	100%#
Global Power and Energy Company Limited	Hong Kong	Energy recycling business/ Hong Kong	10,000 ordinary shares of HK$1 each	100%#
Global Chemicals (China) Company Limited (Note (i))	Hong Kong	Trading of household products and industrial products/ Hong Kong	10,000 ordinary shares of HK$1 each and 1,000,000 non-voting deferred shares of HK$1 each	100%
Global Cosmetics (HK) Company Limited*	Hong Kong	Investment holding and trading of cosmetics and skincare products/ Hong Kong	40,000,000 ordinary shares of HK$1 each	100%
Global Idea (Int'l) Company Limited*	Hong Kong	Trading of cosmetics and skincare products/ Hong Kong	1,000 ordinary shares of HK$1 each	100%
Dongguan Proamine Chemical Co., Limited (Note (ii))	PRC	Manufacture and sale of household products and industrial products/ PRC	Approximately HK$111,319,000	100%

23. INVESTMENTS IN SUBSIDIARIES (cont'd)

b) (cont'd)

Name	Place of incorporation/ establishment	Principal activities/ place of operation	Particulars of issued and paid-up share/ contributed capital	Interest held
Global Cosmetics (China) Co., Limited* (Note (iii))	PRC	Manufacture and sale of cosmetics and skincare products/PRC	HK$160,000,000	100%
Dongguan Gao Bao Chemical Co., Limited (Note (iv))	PRC	Manufacture and sale of household products and industrial products/ PRC	RMB7,761,000	100%
Dongguan Polygene Biotech R&D Co., Limited (Note (v))	PRC	Research and development of bio-technology products/PRC	Approximately HK$16,000,000	100%
High Billion Investment Limited *	Hong Kong	Holding of licence/ Hong Kong	10,000 ordinary shares of HK$1 each	100%

* Audited by one of the "Big Four" accounting firms

\# Shares held directly by the Company

Notes:

i) The non-voting deferred shares carry no rights as to dividends, no rights to attend or vote at general meetings, and no rights to receive any surplus in return of capital in a winding-up of Global Chemicals (China) Company Limited ("Global Chemicals") (other than 1% of the surplus assets of Global Chemicals available for distribution after a total of HK$1,000,000,000,000 has been distributed to holders of the ordinary shares of Global Chemicals in such winding-up).

ii) Dongguan Proamine is a foreign wholly owned enterprise established by the Company in the PRC for an operating period of 16 years commencing from the date of the issuance of its business licence on 29 August 1995. The registered capital of Dongguan Proamine was HK$112,000,000 of which approximately HK$111,319,000 was paid up by the Group as at 31 December 2008.

23. INVESTMENTS IN SUBSIDIARIES (cont'd)

Notes: (cont'd)

iii) Global Cosmetics is a foreign wholly owned enterprise established by the company in the PRC for an operating period of 30 years commencing from the date of the issuance of its business licence on 1 April 2005. The registered capital of Global Cosmetics was HK$160,000,000 which was fully paid up by the Group as at 31 December 2007 and 2008.

iv) Gao Bao Chemical is a foreign wholly owned enterprise acquired by the Company in the PRC in July 2004 for an operating period of 10 years commencing from the date of the issuance of its business licence on 31 December 1998. The registered capital of Gao Bao Chemical was RMB7,761,000 (equivalent to approximately HK$7,462,000) which was fully paid up by the Group as at 31 December 2007 and 2008.

v) Dongguan Polygene is a foreign wholly owned enterprise established by the Company in the PRC for an operating period of 30 years commencing from the date of the issuance of its business licence on 18 July 2003. The registered capital of Dongguan Polygene was HK$20,000,000 of which approximately HK$16,000,000 was paid up by the Group as at 31 December 2007 and 2008.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2008	2007
	HK$'000	HK$'000
Listed equity securities at market value		
– in Hong Kong	**25,158**	192,209
– outside Hong Kong	**4,837**	6,577
	29,995	198,786

25. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials, at cost	**41,891**	42,084
Finished goods, at cost	**122,352**	15,332
	164,243	57,416
Less: Write-down of inventories	**(69,363)**	(6,199)
	94,880	51,217

26. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**209,382**	105,620	**–**	–
Bills receivables	**2,040**	12,662	**–**	–
Prepayments, deposits and other receivables	**80,762**	58,100	**359**	160
	292,184	176,382	**359**	160
Less: Allowance for doubtful debts	**(51,692)**	(9,620)	**–**	–
	240,492	166,762	**359**	160

The aging analysis of the trade and bills receivables is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	**97,284**	100,681
31 – 60 days	**87,291**	6,492
61 – 90 days	**12,792**	4,531
Over 90 days	**14,055**	6,578
	211,422	118,282
Less: Impairment loss on trade receivables	**(30,574)**	(9,620)
	180,848	108,662

The normal credit period granted to the customers of the Group is 30 to 180 days (2007: 30 to 180 days). Impairment loss on trade receivables was made and thereafter written off when collection of full amount was no longer probable. Bad debts are written off as incurred.

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26. TRADE AND OTHER RECEIVABLES (cont'd)

Included in trade and bills receivables in the balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	The Group	
	2008	2007
	'000	'000
Renminbi ("RMB")	**156,684**	100,384
United States Dollars ("US$")	**830**	744

The movement in the allowance for doubtful debts on trade and other receivables is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**9,620**	14,307
Bad debts recovery	**–**	(6,243)
Impairment loss recognised during the year	**41,220**	903
Exchange adjustment	**852**	653
At 31 December	**51,692**	9,620

27. LOAN RECEIVABLES

No single loan receivable is individually material, and the terms and conditions of all loan receivables are presented as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Fixed-rate loan receivables	**63,142**	75,137
Variable-rate loan receivables	**–**	110,300
	63,142	185,437

27. LOAN RECEIVABLES (cont'd)

The ranges of effective interest rates on the Group's loan receivables are as follows:

	2008	2007
Effective interest rate:		
Fixed-rate loan receivables	**3.00% to 5.00%**	5.00% to 6.00%
Variable-rate loan receivables	**–**	3.48% to 9.75%

The loan receivables are unsecured and repayable within 1 year and denominated in HK$.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgement, including the current creditworthiness and the past collection history of each client.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that no impairment is required.

28. FIXED BANK DEPOSITS

The fixed bank deposits carry at fixed interest rate of 0.45% per annum with maturity of three months at acquisition.

29. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**187,919**	472,989	**2,439**	3,245

Included in cash and cash equivalents in the balance sheet are mainly the following amounts denominated in currencies other than the functional currency of the Company to which they relate:

	The Group	
	2008	2007
	$'000	$'000
RMB	**144,087**	408,787
US$	**1,923**	349
Euro ("EUR")	**241**	23

30. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**36,540**	71,510	**–**	–
Bills payable	**–**	15,531	**–**	–
	36,540	87,041	**–**	–
Accrued liabilities and other payables	**44,961**	76,531	**420**	2,226
	81,501	163,572	**420**	2,226

The aging analysis of the trade and bills payable is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	**18,547**	45,872
31-60 days	**8,499**	23,954
61-90 days	**6,555**	8,128
Over 90 days	**2,939**	9,087
	36,540	87,041

Included in trade payables in the balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	The Group	
	2008	2007
	'000	'000
RMB	**22,238**	60,348
US$	**1,136**	2,879
Great British Pound	**81**	–
EUR	**27**	–

31. CONVERTIBLE PREFERENCE SHARES

Bio Beauty, a subsidiary of the Company, issued 91,500 convertible preference shares ("REPS") of US$21,000,000 (equivalent to approximately HK$164,475,000) on 7 August 2007 to an independent third party.

The REPS contains the following major terms:

Each of the preference shares is automatically fully convertible into 100 ordinary shares of Bio Beauty immediately prior to the day of listing of shares of Bio Beauty on the SEHK.

The REPS, with respect to distribution of assets and liquidation, dissolution or winding up, shall rank prior to the ordinary shares of Bio Beauty. The REPS shall also rank in priority to dividend on the ordinary shares of Bio Beauty in respect of their preferential dividends, but shall not otherwise rank in priority to ordinary shares with respect of any other distribution and any other dividend.

The exchange rate of all payment to be made to the investor was fixed at US$1.00 to RMB7.80. The investor is entitled to a dividend of 5% payable in cash in arrears annually on the anniversary of the date of issue and allotment of the REPS ("Preferred Dividend").

Investor has the option to immediately redeem any or all of its outstanding REPS any time after the occurrence of redemption event as defined in the instrument, which include 24 months after the date of issue of the REPS, at a price which would yield the investor an internal rate of return of 20% per annum for the first 24 months from the date of issue of the REPS ("Redemption Right"). The Redemption Right granted to the investor and the Preferred Dividend will be terminated immediately prior to the day of listing of shares of Bio Beauty on the SEHK.

The REPS contain two components, liability component and conversion option which is an equity component. The liability portion is carried at amortised cost using the effective interest rate method. The effective interest rate of the liability component is 25%. The equity component is presented in equity heading "convertible preference share reserve".

The movement of the liability component of the REPS for the year ended 31 December 2008 is as follows:

	Liability component HK$'000
Carrying amount at date of issue	133,841
Loss arising from change in fair value	266
Interest charged	3,372
Interest waived (note)	(3,288)
Carrying amount at 31 December 2007	134,191
Finance cost accrued	55,383
Preferred dividend paid	(9,150)
Currency realignment	19,007
Carrying amount at 31 December 2008	199,431

Note: Pursuant to a letter dated 31 December 2008, the holder of the REPS decided to waive the Preferred Dividend for the period between 7 August 2008 and 31 December 2008.

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32. LONG-TERM BANK LOANS

At 31 December 2008, the bank loans are repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unsecured bank loans repayable:				
Within 1 year or on demand	**180,000**	**60,000**	**180,000**	**60,000**
After 1 year but within 2 years	**–**	**180,000**	**–**	**180,000**
Total unsecured bank loans	**180,000**	**240,000**	**180,000**	**240,000**
Less: Amount due within 1 year shown under current liabilities	**(180,000)**	**(60,000)**	**(180,000)**	**(60,000)**
	–	**180,000**	**–**	**180,000**

a) On 27 February 2006, the Company obtained a new syndicated bank loan of HK$200,000,000. The loan was fully drawn down during the year ended 31 December 2006 and it bears an interest rate at HIBOR plus 1% per annum and repayable by 6 unequal semi-annual instalments commencing 12 months after the date of the relevant loan agreement.

b) On 16 March 2007, the Company drew down the revolving loan of HK$100,000,000 according to the terms stipulated in the above syndicated bank loan agreement. The loan was fully drawn down during the year ended 31 December 2007 and it bears an interest rate at HIBOR plus 1% per annum and repayable one month prior to the maturity date on 26 August 2009.

The Group's borrowings are denominated in HK$.

33. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2008, the Group had obligations under finance leases repayable as follows:

The Group

		2008			2007	
	Present value of the minimum lease payments	**Interest expenses relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expenses relating to future periods	Total minimum lease payments
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Within 1 year shown under current liabilities	**32**	**4**	**36**	39	4	43
After 1 year but within 2 years	**5**	**1**	**6**	32	4	36
After 2 years but within 5 years	**–**	**–**	**–**	2	5	7
Non-current portion	**5**	**1**	**6**	34	9	43
Total	**37**	**5**	**42**	73	13	86

34. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 20 December 2001 whereby the directors of the Company are authorised, at their discretion, to invite employees and other eligible suppliers and customers of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company. The options vest immediately from the date of grant and are then exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 20 June 2006	326	Immediately from the date of grant	up to 20 June 2010
– on 25 March 2008	650	Immediately from the date of grant	up to 24 March 2011
– on 25 July 2008	850	Immediately from the date of grant	up to 24 July 2011
Options granted to employees:			
– on 20 June 2006	19,119	Immediately from the date of grant	up to 20 June 2010
– on 25 March 2008	22,621	Immediately from the date of grant	up to 24 March 2011
– on 25 July 2008	25,820	Immediately from the date of grant	up to 24 July 2011
Options granted to others:			
– on 25 March 2008	12,100	Immediately from the date of grant	up to 24 March 2011
– on 25 July 2008	96,500	Immediately from the date of grant	up to 24 July 2011
	177,986		

b) The number and weighted average exercise price of share options are as follows:

	2008		2007	
	Weighted average exercise price HK$	**Number of option '000**	Weighted average exercise price HK$	Number of option '000
Outstanding at the beginning of the year	**0.89**	**51,702**	0.89	103,157
Exercised during the year	**1.09**	**(105,877)**	0.89	(51,275)
Granted during the year	**1.03**	**232,441**	–	–
Lapsed during the year	**0.80**	**(280)**	0.63	(180)
Outstanding at the end of the year	**0.96**	**177,986**	0.89	51,702

The weighted average share price at the date of exercise for shares options exercised during the year was HK$1.09 (2007: HK$2.02). The options outstanding at 31 December 2008 had an exercise price of HK$0.89, HK$0.91 or HK$1.17 (2007: HK$0.80 or HK$0.89) and a weighted average remaining contractual life of 2.38 years (2007: 1.46 years).

34. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

c) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

Date of grant	25 July 2008	25 March 2008	20 June 2006
Fair value at measurement date	HK$0.11	HK$0.20	HK$0.23
Share price	HK$0.90	HK$1.18	HK$0.90
Exercise price	HK$0.91	HK$1.17	HK$0.89
Expected volatility (expressed as weighted average volatility used in the modeling under binomial lattice model)	73%	46%	41%
Option life (expressed as weighted average life used in the modeling under binomial lattice model)	3 years	3 years	up to 20 June 2010
Expected dividends	–	3.50%	3.42%
Risk-free interest rate (based on Exchange Fund Notes)	1.40%	1.48%	4.65%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumption could materially affect the fair value estimate.

35. DEFERRED TAX

The major components of the deferred tax assets/(liabilities) provided for at the balance sheet date and for the year then ended are as follows:

Deferred tax assets

	The Group					
	Depreciation in excess of the related depreciation allowances		Impairment loss		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**–**	4,638	**–**	2,717	**–**	7,355
Charged/(credited) to consolidated income statement	**–**	(4,638)	**–**	(2,717)	**–**	(7,355)
At the end of the year	**–**	–	**–**	–	**–**	–

Deferred tax liabilities

	The Group							
	Depreciation in excess of the related depreciation allowances		Revaluation of investment properties		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**–**	–	**(826)**	(326)	**–**	(104)	**(826)**	(430)
Charged/(credited) to consolidated income statement	**(280)**	–	**–**	(500)	**–**	104	**(280)**	(396)
At the end of the year	**(280)**	–	**(826)**	(826)	**–**	–	**(1,106)**	(826)

The Company has unused tax losses of HK$282,042,000 (2007: HK$210,843,000) available for offset against future profits. No deferred tax assets in respect of these unused tax losses have been recognised due to the unpredictability of future taxable profits streams. The tax losses do not expire under current tax legislation.

36. SHARE CAPITAL

a) Authorised and issued share capital

	2008		2007	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**2,000,000**	**200,000**	2,000,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January	**1,183,347**	**118,334**	1,046,579	104,658
Exercise of warrants	**46,987**	**4,699**	85,493	8,549
Exercise of share options	**105,877**	**10,588**	51,275	5,127
Repurchase of shares	**(3,000)**	**(300)**	–	–
At 31 December	**1,333,211**	**133,321**	1,183,347	118,334

b) Exercise of warrants

During the year, warrants were exercised to subscribe for 46,987,000 (2007: 85,493,000) ordinary shares in the Company at a consideration of HK$61,084,000 (2007: HK$83,479,000) of which HK$4,699,000 (2007: HK$8,549,000) was credited to share capital and the balance of HK$56,385,000 (2007: HK$74,930,000) was credited to share premium.

c) Exercise of share options

During the year, share options were exercised to subscribe for 105,877,000 (2007: 51,275,000) ordinary shares in the Company at a consideration of HK$114,923,000 (2007: HK$45,565,000) of which HK$10,588,000 (2007: HK$5,127,000) was credited to share capital and the balance of HK$126,037,000 (2007: HK$40,438,000) was credited to share premium. HK$21,702,000 (2007: HK$11,640,000) has been transferred from the share-based compensation reserve to the share premium in accordance with policy set out in note 2(q)(ii) to the financial statements.

d) Repurchase of shares

During the year, the Company repurchased 3,000,000 (2007: Nil) ordinary shares of the Company on the Hong Kong Stock Exchange, as follows:

Month	Number of ordinary shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Total consideration paid (including transaction costs)
	'000	HK$	HK$	HK$'000
October 2008	3,000	0.58	0.55	1,702

These repurchases were effected by the directors pursuant to the mandate from the shareholders with a view to benefiting the shareholders as a whole by the enhancement of the earnings per share of the Group.

36. SHARE CAPITAL (cont'd)

e) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	2008 Number '000	2007 Number '000
13 June 2005 to 12 June 2008	HK$0.80	–	280
20 June 2006 to 20 June 2010	HK$0.89	**19,445**	51,422
25 March 2008 to 24 March 2011	HK$1.17	**35,371**	–
25 July 2008 to 24 July 2011	HK$0.91	**123,170**	–
		177,986	51,702

Each option entitles the holders to subscribe for one ordinary share in the Company. Further details of these options are set out in note 34 to the financial statements.

f) Capital management

The Group's objectives when managing capital are 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 management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, 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 debt as it sees fit and appropriate.

During the year, the gearing ratios at 31 December 2008 and 2007 were as follows:

	2008 HK$'000	2007 HK$'000
Total liabilities	**483,895**	583,547
Less: Cash and cash equivalents (Note 29)	**(187,919)**	(472,989)
Net debt	**295,976**	110,558
Total equity	**2,687,062**	2,494,474
Gearing ratio	**11.01%**	**4.43%**

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37. RESERVES

a) The Group

	Attributable to equity holders of the Company								
	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Capital redemption reserve HK$'000 (Note ii)	Share-based compensation reserve HK$'000 (Note iii)	Statutory reserve HK$'000 (Note iv)	Exchange fluctuation reserve HK$'000 (Note v)	Convertible preference share reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	784,877	900	–	11,325	18,694	22,425	–	791,028	1,629,249
Exercise of warrants	74,930	–	–	–	–	–	–	–	74,930
Exercise of share options	52,078	–	–	(11,640)	–	–	–	–	40,438
Transfers of reserves	–	–	–	–	70,111	–	–	(70,111)	–
Equity settled share-based payments transactions	–	–	–	9,239	–	–	–	–	9,239
2006 final dividend paid	–	–	–	–	–	–	–	(32,772)	(32,772)
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	30,709	–	–	30,709
Acquisition of additional interest in a subsidiary	–	165,259	–	–	–	–	–	–	165,259
Issue of convertible preference shares of a subsidiary	–	–	–	–	–	–	26,635	–	26,635
Profit for the year	–	–	–	–	–	–	–	311,772	311,772
At 31 December 2007 and 1 January 2008	911,885	166,159	–	8,924	88,805	53,134	26,635	999,917	2,255,459
Exercise of warrants	56,385	–	–	–	–	–	–	–	56,385
Exercise of share options	126,037	–	–	(21,702)	–	–	–	–	104,335
Equity settled share-based payments transactions	–	–	–	37,596	–	–	–	–	37,596
Share options lapsed during the year	–	–	–	(64)	–	–	–	64	–
Repurchase of shares:									
– Par value paid	–	–	300	–	–	–	–	(300)	–
– Premium paid	(1,402)	–	–	–	–	–	–	–	(1,402)
Acquisition of interest from minority shareholders	–	–	–	–	–	–	–	–	–
Transfers of reserves	–	–	–	–	21,316	–	–	(21,316)	–
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	26,327	–	–	26,327
Profit for the year	–	–	–	–	–	–	–	8,187	8,187
At 31 December 2008	1,092,905	166,159	300	24,754	110,121	79,461	26,635	986,552	2,486,887

37. RESERVES (cont'd)

a) The Group (cont'd)

Notes

i) Capital reserve

The capital reserve of the Group includes the difference between the nominal value of the share/registered capital of the subsidiaries acquired pursuant to the group reorganisation carried on 28 November 2000, over the nominal value of the share capital of the Company issued in exchange; and amount arising from the acquisition by the Group in respect of additional interest of 13% in Cosmetics HK for a consideration of approximately HK$274,058,000 which was paid by the Company on behalf of Bio Beauty by transfer of 13,936,390 ordinary shares of HK$0.10 each of Bio Beauty on 29 October 2007.

The capital reserve of the Company arose as a result of the above-mentioned group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange.

ii) Capital redemption reserve

The capital redemption reserve represents the nominal value of the cancelled shares arising from share repurchase as set out in note 36(d).

iii) Share-based compensation reserve

The fair value of the actual or estimated number of unexercised in accordance with the accounting policy adopted for share-based payments in note 2(q)(ii).

iv) Statutory reserve

Subsidiaries of the Group in the PRC, which are wholly owned-foreign enterprises, follow the accounting principles and relevant financial regulations of the PRC applicable to wholly owned-foreign enterprises ("PRC GAAP–WFOE"), in the preparation of its accounting records and financial statements. Pursuant to the accounting regulations for business enterprises (企業會計制度[財會(2000) 25號]), the subsidiaries are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP–WFOE for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in capital.

v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with the accounting policy set out in note 2(u).

vi) Distributability of reserves

Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium and capital reserve are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay its debts as they fall due in the ordinary course of business.

At 31 December 2008, the aggregate amount of reserves available for distribution to equity holders of the Group was HK$986,552,000 (2007: HK$999,917,000).

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37. RESERVES (cont'd)

b) The Company

	Note	Share premium HK$'000	Capital reserve HK$'000 (note i)	Capital redemption reserve HK$'000 (note ii)	Share-based compensation reserve HK$'000 (note iii)	(Accumulated loss)/Retained profits HK$'000	Total HK$'000
At 1 January 2007		784,877	89,247	–	11,325	36,611	922,060
Exercise of warrants	36(b)	74,930	–	–	–	–	74,930
Exercise of share options	36(c)	52,078	–	–	(11,640)	–	40,438
Equity settled share-based payments transactions		–	–	–	9,239	–	9,239
2006 final dividend paid	12	–	–	–	–	(32,772)	(32,772)
Profit for the year	11	–	–	–	–	10,715	10,715
At 31 December 2007 and 1 January 2008		911,885	89,247	–	8,924	14,554	1,024,610
Exercise of warrants	36(b)	56,385	–	–	–	–	56,385
Exercise of share options	36(c)	126,037	–	–	(21,702)	–	104,335
Equity settled share-based payments transactions		–	–	–	37,596	–	37,596
Repurchase of shares	36(d)	(1,402)	–	300	–	300	(1,402)
Lapse of share options		–	–	–	(64)	64	–
Loss for the year	11	–	–	–	–	(49,875)	(49,875)
At 31 December 2008		1,092,905	89,247	300	24,754	(35,557)	1,171,649

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets include cash and cash equivalents, trade and other receivables, loan receivables and financial assets at fair value through profit or loss. The Group's financial liabilities include bank borrowings, trade and other payables.

The Group does not have nor has issued financial instruments for trading purposes. Exposure to credit, liquidity, interest rate, foreign currency fair value, economic and business risks arises in the normal course of the Group's business.

a) Credit risk

i) As at 31 December 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

ii) In respect of trade and other receivables and loan receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within a normal credit period of 30-180 days from the date of billing.

iii) The majority of the Group's investments are listed on a recognised stock exchange. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

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

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

b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a source of liquidity.

Details of the remaining contractual maturities of the financial liabilities as at the balance sheet date were as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Total amounts of contractual undiscounted obligations:		
Trade and other payables	**81,501**	163,571
Bank loans	**184,929**	252,712
Obligations under finance leases	**42**	83
Convertible preference shares	**199,431**	189,574
	465,903	605,940
Due for payment:		
Within 1 year	**465,897**	240,546
Between 1 and 5 years	**6**	365,394
	465,903	605,940

	The Company	
	2008	2007
	HK$'000	HK$'000
Total amounts of contractual undiscounted obligations:		
Amounts due to subsidiaries	**451,186**	408,123
Trade and other payables	**420**	2,226
Bank loans	**184,929**	252,712
	636,535	663,061
Due for payments:		
Within 1 year	**636,535**	478,132
Between 1 and 5 years	**–**	184,929
	636,535	663,061

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

c) Interest rate risk

i) The Group's exposure to changes in interest rates relates primarily to the Group's cash and cash equivalents, bank deposits and bank loans. The Group does not use financial derivatives to hedge against the interest rate risk.

ii) Sensitivity analysis
At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points (2007: increase of 100 basis points) in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by approximately HK$66,000 (2007: increase of HK$2,333,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

d) Foreign currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currencies are RMB and HK$ as substantially all the turnover are within Hong Kong and other parts in the PRC. With the natural hedging of the revenue and costs being denominated in RMB and HK$, the Group is subject to transactional foreign exchange exposure. RMB is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and remittance of these funds out of the PRC is subject to exchange restriction imposed by the government of the PRC.

Should HK$ at the balance sheet date devalue/appreciate by 1% (2007: 1%) against all the foreign currencies, the effect on profit after taxation and retained profits would be an increase/decrease by a net amount of approximately HK$2,269,000 (2007: HK$3,688,000).

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(e) Price risk

Price risk arises mainly from the volatility of prices of equity securities held by the Group. Prices of equity securities are determined by market forces. The Group is subject to increased market risk largely because stock markets are relatively volatile. The Group manages price risk by holding an appropriately diversified investment portfolio designed to reduce the risk of concentration in any one specific industry or issuer.

At 31 December 2008, if all the Group's equity securities' prices had increased or decreased by 2% with all other variables held constant, profit after taxation and retained profits for the year would have been approximately HK$501,000 (2007: HK$3,280,000) higher or lower respectively.

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

f) **Fair value**

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2007 and 2008.

i) Cash and cash equivalents, trade and other receivables, trade and other payables (current portion).

The carrying values approximate their fair values because of the short maturities of these items.

ii) Bank loans

The carrying amount of bank loans approximates their fair value based on the borrowing rates currently available for bank loan with similar terms and maturities.

iii) Amounts due from/to subsidiaries

It is not practical to estimate the fair values of the amounts due to the related party nature of these instruments.

g) **Economic risk**

The Group's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the government of the PRC has been pursuing economic reform policies for the past years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered.

h) **Business risk**

A substantial portion of the Group's operations is conducted in the PRC. This includes risks associated with, among others, the political, economic and legal environment in the PRC.

39. MAJOR NON-CASH TRANSACTION

There was no major non-cash transaction during the year ended 31 December 2008. For the year ended 31 December 2007, the Group acquired 5,200,000 shares of HK$1 each in the issued share capital of Cosmetics HK (representing 13% of the entire issued share capital of Cosmetics HK) from an independent third party, Cristal Marketing, for a consideration of approximately HK$274,058,000 which was paid by the Company on behalf of Bio Beauty.

40. COMMITMENTS

a) Capital commitments outstanding at the balance sheet date not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Contracted for:		
– Intangible assets	**–**	475
– Property, plant and equipment	**149,984**	112,108
	149,984	112,583

Notes to the Financial Statements

For the year ended 31 December 2008

40. COMMITMENTS (cont'd)

b) At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases in respect of office properties are payable as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 1 year	**2,090**	1,764
After 1 year but within 5 years	**735**	2,508
	2,825	4,272

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

c) At the balance sheet date, the total future minimum lease income under non-cancellable operating leases in respect of office properties are receivable as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 1 year	**1,369**	599
After 1 year but within 5 years	**–**	50
	1,369	649

41. FINANCIAL GUARANTEE

During the years ended 2008 and 2007, the Company had given corporate guarantee to a bank in connection with banking facilities granted by the bank to subsidiaries. At 31 December 2008, such facilities were drawn down by the subsidiaries to the extent of HK$20,000,000 (2007: HK$20,000,000). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiaries of HK$Nil (2007: HK$15,531,000). The financial guarantee liability was not provided in the financial statements because the fair value of the guarantee was insignificant and the directors considered that a claim would not be probably made against the Company under the guarantee.

42. POST BALANCE SHEET EVENTS

1. By the announcement dated 20 January 2009 (the "Announcement") and the circular of open offer despatched on 23 February 2009 (the "Circular"), the Company proposed to raise not less than approximately HK$161 million before expenses by way of open offer of 644,620,488 offer shares to the qualifying shareholders at a price of HK$0.25 per offer share, payable in full in application, on the basis of twelve shares for every twenty five shares held on the record date.

   The net proceeds of the Open Offer were estimated to be not less than approximately HK$158 million after expenses would be used by the Company for the construction of new factory location at Yuen Long, Hong Kong, and the purchase of plant and equipments in relation to the waste-tyre-to-oil recycling business of the Group.

   The open offer was fully underwritten by the underwriters. The open offer was conditional upon, among others, the Stock Exchange agreeing to grant the listing of and permission to deal in the offer shares and was further subject to the underwriter not terminating the underwriting agreement. Details of the terms and conditions of the open offer could be found in the Circular and the Announcement in the website of the HKEx and the Company.

2. On 1 April 2009, the Company and its subsidiary, Bio Beauty, entered into a settlement agreement with Macquarie Investment Holdings No. 2 Pty. Limited, Macquarie Capital Securities Limited and Macquarie Capital (Hong Kong) Limited (collectively called "Macquarie Group"). The Company and Bio Beauty agreed to pay and Macquarie Group agreed to accept US$24 million ("Settlement Price") in full and final settlement of the convertible preference shares referred to the note 31 to the financial statements. The Settlement Price is to be paid by two equal installments on 3 April 2009 and 30 April 2009 respectively.

43. COMPARATIVE FIGURES

Certain comparative figures have been re-classified in conformity to the current year's presentation of the financial statements.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 20 April 2009.

Five Year Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for each of the five years ended 31 December 2008 prepared on the basis set out in the note below:

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,339,707**	1,071,833	846,916	902,024	624,894
Profit before taxation	**85,060**	418,581	301,360	270,146	151,091
Income tax	**(51,495)**	(60,122)	(30,219)	(20,794)	(38,883)
Profit for the year	**33,565**	358,459	271,141	249,352	112,208
Attributable to:					
Equity holders of the Company	**8,187**	311,772	197,039	223,305	105,096
Minority interests	**25,378**	46,687	74,102	26,047	7,112
Profit for the year	**33,565**	358,459	271,141	249,352	112,208

Five Year Financial Summary

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Goodwill	**645,566**	459,428	–	–	–
Property, plant and equipment	**1,484,614**	1,085,699	940,350	408,859	300,090
Investment properties	**25,181**	23,500	19,240	18,500	16,000
Prepaid lease payments for land under operating leases	**178,602**	172,964	128,255	128,842	9,610
Intangible assets	**36,655**	27,563	32,791	40,725	51,262
Payment for purchase of land and buildings	**–**	–	–	–	111,120
Deposits for acquisition of property, plant and equipment	**175,624**	173,737	207,110	342,961	–
Deposits for acquisition of interests in leasehold land held for own use under operating leases	**–**	–	39,015	–	–
Deposits for acquisition of intangible assets	**–**	14,070	13,272	12,762	9,106
Other deposits and club debenture	**170**	170	170	530	660
Investments in securities	**–**	–	–	31,500	56,944
Deferred tax assets	**–**	–	7,355	5,109	4,799
Current assets	**624,545**	1,120,890	769,977	766,269	985,992
Total assets	**3,170,957**	3,078,021	2,157,535	1,756,057	1,545,583
Current liabilities	**482,784**	268,496	275,171	223,945	165,530
Non-current liabilities	**1,111**	315,051	140,503	58,808	176,250
Total liabilities	**483,895**	583,547	415,674	282,753	341,780
Net assets	**2,687,062**	2,494,474	1,741,861	1,473,304	1,203,803
Total equity attributable to:					
Equity holders of the Company	**2,620,208**	2,373,793	1,733,907	1,439,452	1,195,997
Minority interests	**66,854**	120,681	7,954	33,852	7,806
Total equity	**2,687,062**	2,494,474	1,741,861	1,473,304	1,203,803

List of Principal Properties

INVESTMENT PROPERTIES

Location		Lot number	Existing use	Lease term	Group's interest
a)	Global Green Tech Industrial City, Chang Ping, Tu Tang District, Dongguan City, Guangdong Province, PRC.	*	Commercial	Medium	100%

* Property located in PRC without lot number.