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If you have sold or transferred all your shares in Global Green Tech Group Limited (“**Company**”), you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**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)*

**VERY SUBSTANTIAL ACQUISITION:
ACQUISITION OF SUPREME CHINA
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of the Company to be held at 11:00 a.m. on Monday, 29 June 2009 at the Conference Room of Room 3401-08, 34th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong is set out on pages E-1 to E-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Share pursuant to the SP Agreement
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Company”	Global Green Tech Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the sale and purchase of the Sale Share in accordance with the terms of the SP Agreement
“Conditions”	the conditions precedent to the completion of the Acquisition as set out in the paragraph headed “Conditions precedent” in the section headed “The SP Agreement” in the “Letter from the Board” of this circular
“Convertible Bonds”	the 8% convertible bonds due 2012 to be issued by the Company to the Vendor upon completion of the Acquisition
“Conversion Price”	HK\$0.36, being the conversion price for the subscription of one Conversion Share upon the exercise of the Conversion Rights, subject to adjustments under the terms and conditions of the Convertible Bonds
“Conversion Right(s)”	the right(s) of the Bondholder to convert the whole or part of the outstanding principal amount of the Convertible Bonds into Shares subject to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the new Share(s) to be allotted and issued to the Bondholder(s) upon the exercise of the Conversion Rights
“Cristal Marketing”	Cristal Marketing Management Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Supreme China
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company convened to be held at 11:00 a.m. on 29 June 2009 for the purposes of considering, and if thought fit, approving the SP Agreement and the transactions contemplated thereunder, the notice of which is set out on page E1 and E2 of this circular
“Enlarged Group”	the Group following the completion of the Acquisition

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	22 May 2009, being the date of the SP Agreement
“Latest Practicable Date”	10 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	the date falling upon the expiry of 120 days from the date of the SP Agreement (or such later date as the Vendor and the Company may agree in writing)
“Sale Share”	the one issued share of US\$1 of Supreme China, representing the entire issued share capital of Supreme China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	share(s) of HK\$0.10 each in the share capital of the Company
“SP Agreement”	the conditional sale and purchase agreement dated 22 May 2009 entered into between the Vendor, the Company and the Warrantor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supreme China”	Supreme China Limited, a company incorporated in the British Virgin Islands with limited liability
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Target Group”	collectively, Supreme China and Cristal Marketing
“Vendor”	Title Best Limited, the vendor named in the SP Agreement
“Warrantor”	an individual who is the sole shareholder of the Vendor and is a party independent of and not connected with the Company and its connected person
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lau Jin Wei, Jim

Mr. Wong Ying Yin

Mr. Bang Young Bae

Independent non-executive Directors:

Mr. Ho Yik Leung

Mr. Lin Jian

Mr. Lee Pak Chung

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Room 3401-08, 34th Floor

Office Tower, Convention Plaza

1 Harbour Road

Wanchai, Hong Kong

12 June 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION: ACQUISITION OF SUPREME CHINA

INTRODUCTION

On 22 May 2009, the Company announced that the Vendor and the Company entered into the SP Agreement pursuant to which the Vendor has agreed to sell, and the Company has agreed to purchase, the Sale Share at a consideration of HK\$320,000,000.

The Acquisition constitutes a very substantial acquisition for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules.

The purpose of this circular is to provide you with information regarding the Acquisition, the Group and the Target Group and to give you notice of EGM.

* For identification purposes only

LETTER FROM THE BOARD

THE SP AGREEMENT

Date

22 May 2009

Parties

- (i) The Vendor, an investment holding company, as vendor;
- (ii) the Company, as purchaser; and
- (iii) the Warrantor, as warrantor to guarantee and warrant the performance of the obligations of the Vendor under the SP Agreement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendor and its beneficial owner, being the Warrantor, is a third party independent of and not connected with the Company and its connected persons.

Subject matter of the SP Agreement

Pursuant to the SP Agreement, the Vendor has agreed to sell, and the Company has agreed to purchase, the Sale Share (representing the entire issued share capital of Supreme China). Supreme China owns 100% interest of Cristal Marketing.

Consideration

The consideration for the Sale Share is HK\$320,000,000.

The consideration was agreed after arm's length negotiations between the Vendor and the Company and by reference to the valuation of Cristal Marketing conducted by BMI Appraisals Limited ("**Valuer**"), an independent valuer. According to the valuation report prepared by the Valuer, the valuation of 100% equity interest of Cristal Marketing as at 30 April 2009, which has been carried out on the basis of market value, is HK\$320,000,000. The Valuer has considered the price-to-earning ratios of comparable companies and the marketability of Cristal Marketing in arriving its valuation. The full valuation report of 100% equity interest of Cristal Marketing is set out in Appendix IV to this circular.

The consideration shall be satisfied by the Group in the following manner:

- (i) within three business days after the signing of the SP Agreement, the Company shall pay HK\$64,000,000 ("**Deposit**") to the Vendor or its nominee by way of a cheque or in such other manner as may be agreed between the Vendor and the Company as deposit and part payment of the consideration;

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- (ii) upon completion of the Acquisition:
 - (a) as to HK\$95,418,000 shall be paid by the Company to the Vendor or its nominee by way of a cheque or in such other manner as may be agreed between the Vendor and the Company;
 - (b) as to HK\$582,000 shall be paid by the Company to Supreme China (as directed by the Vendor) to repay the amount which the Vendor is now owing to Supreme China; and
 - (c) as to HK\$160,000,000 by the Company's issue to the Vendor (or such person(s) as nominated by the Vendor) of the Convertible Bonds.

As at the Latest Practicable Date, the Company has paid the Deposit to the Vendor.

If (1) the Conditions shall not have been fulfilled (or waived) in full on or before 5:00 p.m. on the Longstop Date or (2) where all the Conditions shall have been fulfilled (or waived) on or before 5:00 p.m. on the Longstop Date but completion fails to take place, the Vendor and the Warrantor shall refund the Deposit to the Company (or as it may direct) within 10 business days after the Longstop Date (as regards (1)) or, as the case may be, within 10 business days after the date on which the completion of the Acquisition is scheduled for (as regards (2)).

The Group will finance the cash portion of the consideration by internal resources, borrowing or a combination of both as may be considered appropriate or desirable by the Board, taking into account factors such as the then interest rate and cash flow of the Group.

Upon full conversion of the Conversion Right at the initial Conversion Price at HK\$0.36, an aggregate of 444,444,444 Conversion Shares will be allotted and issued to the Bondholder(s). Such Conversion Shares represent approximately 22.36% of the existing issued share capital of the Company and approximately 18.27% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Company will seek the grant of a specific mandate to allot, issue or otherwise deal in the Conversion Shares from the Shareholders at the EGM.

Conditions precedent

Completion of the Acquisition is conditional upon:

- (i) the Company having carried out and completed the legal and financial due diligence review and being satisfied (1) with the business, assets, financial position and prospects of the Target Group in all respects; and (2) that there has been no material adverse change in the business, assets and financial position of the Target Group between 31 March 2009 and the date of the completion of the Acquisition;
- (ii) the Company being satisfied that (1) all warranties will remain true and correct as at the date of completion of the Acquisition and (2) the Vendor and the Warrantor have or, as appropriate, will have carried out and complied with the undertakings contained in the SP Agreement;

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- (iii) the passing of an ordinary resolution by the Shareholders by poll approving (1) the Acquisition; (2) the creation and issue of the Convertible Bonds and the allotment and issue of the Conversion Shares pursuant to the exercise of the Conversion Rights and (3) all other transactions contemplated under the SP Agreement, at the EGM; and
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares.

The Company may waive all or any of the Conditions (other than Conditions (iii) and (iv)) at any time before the Longstop Date by notice in writing to the Vendor.

If the Conditions shall not have been fulfilled (or waived) in full on or before 5:00 p.m. on the Longstop Date, all rights and obligations of the parties hereunder shall cease and terminate, save for the refund of the Deposit and the claim (if any) in respect of any antecedent breach of the SP Agreement.

Completion

Completion of the Acquisition shall take place on the third business day after the last outstanding Condition shall have fulfilled (or waived) or such other date as the Vendor and the Company may agree.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised below:

- (1) Principal amount : HK\$160,000,000
- (2) Interest : 8% per annum from the date of issue, payable semiannually on 30 June and 31 December
- (3) Maturity date : The date falling three years after the issue date of the Convertible Bonds (if that is not a business day, the first business day thereafter)
- (4) Conversion period : The Convertible Bonds are convertible in whole or in part into new Shares by the Bondholders at any time from the issue date of the Convertible Bonds at the Conversion Price provided that the Convertible Bonds may not be converted, to the extent if following such conversion, the Bondholder and parties acting in concert (as defined in the Takeovers Code) with it, taken together, will directly or indirectly, control or be interested in more than 29% of the entire issued Shares. Any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 and no fraction of a Share shall be issued on conversion.

LETTER FROM THE BOARD

- (5) Conversion Price : HK\$0.36 per Conversion Share, subject to adjustments in each of the following cases (detailed provisions are set out in the terms and conditions of the Convertible Bonds):
- (a) an alteration to the nominal value of the Shares as a result of consolidation or subdivision or reclassification;
 - (b) an issue by the Company of any Shares to the Shareholders by way of capitalisation of profits or reserves, other than a scrip dividend where the market value of the Shares issued in respect of each existing Share does not exceed 110% of the amount of the cash dividend;
 - (c) a capital distribution (whether on a reduction of capital or otherwise) by the Company to the Shareholders;
 - (d) a rights issue of Shares or options or warrants to subscribe for Shares to all or substantially all Shareholders at a subscription price which is less than 90% of the market price;
 - (e) a rights issue of other securities to all or substantially all Shareholders for the purchase of securities of the Company (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);
 - (f) an issue wholly for cash of any Shares, or issue or grant any options, warrants or other rights to subscribe for or purchase any Shares, at a price per Share which is less than 90% of the market price per Share;
 - (g) an issue wholly for cash of any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares, and the consideration per Share receivable by the Company in respect of such conversion, exchange or subscription is less than 90% of the market price per Share; or
 - (h) any modification of the rights of conversion, exchange, subscription or redesignation attaching to any such securities as mentioned in (g) above so that following such modification the consideration per Share receivable by the Company in respect of such conversion, exchange, subscription or redesignation is less than 90% of the market price.

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The Conversion Price of HK\$0.36 represents:

- a discount of approximately 20.88% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 20.35% to the average closing price of approximately HK\$0.452 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- a discount of approximately 13.98% to the average closing price of approximately HK\$0.4185 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and
- a discount of approximately 30.77% to the average closing price of approximately HK\$0.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

- (6) Conversion Shares : The Conversion Shares will be issued free from any encumbrances or third party rights of any kind and will rank pari passu in all respects with the existing issued Shares together with all rights to dividends and other distributions declared, made or paid on or after the date on which the name of the Bondholder is entered into the Company's register of Shareholders as holder of the relevant Conversion Shares.
- (7) Redemption by the Company : The Company has the right at any time during the term of the Convertible Bonds to redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 110% of the principal amount of the outstanding bonds to be redeemed together with the interest accrued.
- (8) Redemption by the Bondholders and final redemption : Upon the occurrence of an event of default, the Bondholder may, unless such event of default has been waived in writing by it, by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with the interest accrued.

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Unless the Conversion Rights have been exercised in full during the conversion period in accordance with the terms of the Convertible Bonds, the Company is obliged to redeem any Convertible Bonds which remains outstanding on the maturity date at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with the interest accrued.

- (9) Voting rights at general meeting : The Bondholder shall not be entitled to attend or vote at any general meeting of the Company by reason only of it being a Bondholder.
- (10) Transferability : The Convertible Bonds may be assigned or transferred in whole or in part to any third party provided that any transfer of the Convertible Bonds to any connected persons of the Company shall be subject to the requirements (if any) that the Stock Exchange may impose from time to time.

Application for listing

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon the exercise of the Conversion Rights.

INFORMATION ON TARGET GROUP

Supreme China is a company incorporated in the British Virgin Islands with limited liability. The principal business of Supreme China is investment holding. Its sole investment is 100% interest in Cristal Marketing. As at the date of the SP Agreement and as at the Latest Practicable Date, the Vendor held the entire issued share capital of Supreme China.

Cristal Marketing is a company incorporated in Hong Kong with limited liability. Its principal activities are retailing of cosmetics and provision of beauty treatment services. Cristal Marketing has been the sole distributor of the cosmetics and skin care products with the brand name “Marjorie Bertagne” developed and/or manufactured by the Group since 2001. Cristal Marketing is currently operating about 19 shops and counters in Hong Kong and Macau with over 100 employees.

LETTER FROM THE BOARD

Set out below is a summary of certain financial information of the Target Group for the two years ended 31 March 2009:

	<i>(Audited)</i> For the year ended 31 March 2008 <i>HK\$'000</i>	<i>(Audited)</i> For the year ended 31 March 2009 <i>HK\$'000</i>
Turnover	HK\$122,032	HK\$112,904
Gross profits	HK\$91,071	HK\$86,237
Net profit/(loss) (before taxation and extraordinary items)	HK\$309,394	HK\$237,381
Net profit/(loss) (after taxation and extraordinary items)	HK\$309,394	HK\$237,349

The audited consolidated total assets and net liabilities of the Target Group as at 31 March 2009 is approximately HK\$20,700,000 and HK\$2,497,000 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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.

The Directors believe that significant synergy will be derived from the Acquisition as there will a vertical integration of wholesaling and retailing activities in Hong Kong, Macau and Taiwan. The Group can also make use of the distribution and marketing networks of Cristal Marketing to facilitate future expansion of the cosmetics business and ODM business.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

CHANGES IN THE COMPANY'S SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and the changes thereto as a result of the conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.36 (assuming that there is no issue or repurchase of Shares prior to the Conversion Rights are exercised in full):

Shareholders	Shareholding as at the Latest Practicable Date		Assuming full conversion of the Convertible Bonds	
	No. of Shares	%	No. of Shares	%
Motivated Workforce Consultants Limited (<i>Note 1</i>)	476,406,976	23.97	476,406,976	19.59
Inviting Finance Ltd (<i>Note 2</i>)	89,263,040	4.49	89,263,040	3.67
Lau Jin Wei, Jim (<i>Note 3</i>)	3,940,000	0.20	3,940,000	0.16
Bang Young Bae (<i>Note 4</i>)	200,000	0.01	200,000	0.01
Sub-total	569,810,016	28.67	569,810,016	23.43
The Vendor	–	–	444,444,444	18.27
Public	1,417,769,840	71.33	1,417,769,840	58.30
Total	1,987,579,856	100.00	2,432,024,300	100.00

Notes:

1. Motivated Workforce Consultants Ltd is wholly and beneficially owned by Mr. Lau Ru Dong, the father of Mr. Lau Jin Wei, Jim, an executive Director.
2. Inviting Finance Ltd is wholly and beneficially owned by Mr. Choi Woon Man who is a former director of the Company.
3. Mr. Lau Jin Wei, Jim is an executive Director.
4. Mr. Bang Young Bae is an executive Director.

As illustrated above, the Acquisition will not result in a change of control of the Company.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules.

LETTER FROM THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS OF TARGET GROUP

Supreme China is a company incorporated in the British Virgin Islands on 12 February 2002 with limited liability. The principal business of Supreme China is investment holding. Its sole investment is 100% interest in Cristal Marketing, as to 80% interest was acquired in August 2005 and as to the remaining 20% interest was acquired in July 2006.

Cristal Marketing is a company incorporated in Hong Kong with limited liability. Its principal activities are retailing of cosmetics and provision of beauty treatment services. Cristal Marketing has been the sole distributor of the cosmetics and skin care products with the brand name “Marjorie Bertagne” developed and/or manufactured by the Group since 2001. Cristal Marketing is currently operating about 19 shops and counters in Hong Kong and Macau with over 100 employees.

Set out in Appendix II to this circular is the accountants’ report on the consolidated financial information of the Target Group for the three years ended 31 March 2007, 2008 and 2009 respectively. Below is the management discussion and analysis on the consolidated performance of the Target Group during such years.

Business review

For the three years ended 31 March 2007, 2008 and 2009, the Target Group recorded turnover of HK\$107.9 million, HK\$122 million and HK\$112.9 million respectively. Gross profit of the Target Group for the three years ended 31 March 2007, 2008 and 2009 were HK\$81.3 million, HK\$91.1 million and HK\$86.2 million respectively. Net profit of the Target Group for the three years ended 31 March 2007, 2008 and 2009 were HK\$347.8 million, HK\$309.4 million and HK\$237.3 million respectively.

The products sales of the Target Group for the year ended 31 March 2007, 2008 and 2009 were approximately HK\$70.6 million, HK\$85.2 million and HK\$73.6 million respectively which accounted for 65.4%, 69.8% and 65.2% of total revenues for the respective years. The treatment of the Target Group recorded a turnover of approximately HK\$37.3 million, HK\$36.8 million and HK\$39.3 million respectively which accounted for 34.6% and 30.1% and 34.8% of total revenues for the respective years.

For the year ended 31 March 2007, the Target Group recorded an exceptional gain on disposal of an associated company of approximately HK\$234.3 million. For the two years ended 31 March 2008 and 2009, the Target Group recorded an exceptional gain on disposal of an investment securities of approximately HK\$268.9 million and HK\$202.6 million respectively.

Operating and administrative expenses of the Target Group for the three years ended 31 March 2007, 2008 and 2009 amounted to HK\$40.8 million, HK\$50.7 million and HK\$51.5 million respectively, accounted for 37.8%, 41.6% and 45.6% of the turnover of corresponding years.

Liquidity and capital resources

As at 31 March 2007, 2008 and 2009, current assets of the Target Group was HK\$11.5 million, HK\$11.8 million and HK\$15.7 million respectively. Current liabilities of the Target Group was HK\$21 million, HK\$29.9 million and HK\$23.2 million as at 31 March 2007, 2008 and 2009 respectively. Current ratio was improved from 0.55 at 31 March 2007 to 0.68 at 31 March 2009. Cash and bank balances of the Target Group as at 31 March 2007, 2008 and 2009 amounted to HK\$3 million, HKD1.4 million and HK\$2.6 million respectively.

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As at 31 March 2008, the Target Group had outstanding bank overdraft and unsecured bank loan amounting to HK\$0.9 million and HK\$2.5 million respectively. The gearing ratio, measured by bank borrowings as a percentage of shareholders equity, was 1.3% at 31 March 2008. Save as disclosed, the Target Group did not have any other bank loan or other borrowings as at 31 March 2007 and 31 March 2009.

Since the principal activities of the Target Group are in Hong Kong and the financial resources available, including cash on hand, are mainly in Hong Kong dollars, the exposure to foreign exchange fluctuation is relatively low.

Significant investment

Except for the shares swap performed for the year ended 31 March 2008 as disclosed in the heading “Material acquisitions and disposals”, the Target Group had no significant investments for the year ended 31 March 2007 and 2009.

The Target Group had no future plans for material investments.

Material acquisitions and disposals

During the year ended 31 March 2007, Cristal Marketing had disposed its 17% equity interest in Global Cosmetics (H.K.) Company Limited (“Global Cosmetics HK”), an indirect owned subsidiary of the Company, for cash consideration of approximately HK\$241.1 million. Such disposal generated an exceptional gain of approximately HK\$234.3 million.

During the year ended 31 March 2008, Cristal Marketing had exchanged its 13% equity interest in Global Cosmetics HK with 15.34% equity interest of Bio Beauty Group Ltd. (“BBG”), an indirect holding company of Global Cosmetics HK and a subsidiary of the Company. Such shares swap generated an exceptional gain of HK\$268.9 million.

During the year ended 31 March 2009, Cristal Marketing disposed all of its 15.34% equity interest in BBG to the Company and an independent third party at consideration of HK\$265.3 million and HK\$211.3 million respectively with total exceptional gain of HK\$202.6 million.

Employees and Remuneration policy

The Target Group employed a total of 127, 136 & 116 employees as at 31 March 2007, 2008 and 2009 respectively. Employee’s remunerations are determined in accordance with nature of duties and performance and remain competitive under current market demand.

The Target Group operated a Mandatory Provident Fund Scheme (the “MPF Scheme”) for their employees in Hong Kong. Both Cristal Marketing and its employees located in Hong Kong are required to contribute 5% of the employees’ monthly salaries. The mandatory contributions require to be made by Cristal Marketing 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.

LETTER FROM THE BOARD

Capital structure

The paid-up capital of the Target Group were approximately HK\$0.39 million as at 31 March 2007, 2008 and 2009 respectively. The net asset value of the Target Group as at 31 March 2007 and 2008 were approximately HK\$5.6 million and HK\$264.3 million respectively. The net liabilities value of the Target Group as at 31 March 2009 was approximately HK\$2.5 million.

Charges on assets

The Target Group did not have any charges on its assets as at 31 March 2007, 2008 and 2009.

Capital commitment and contingent liabilities

The Target Group had no significant capital commitment and contingent liabilities as at 31 March 2007, 2008 and 2009 respectively.

Prospects

The Target Group principally derives income through their unique distribution channels, namely facial and body treatment services through salons and products' sales through counters and salons.

In coming three years, the Target Group plan to increase the number of its beauty salons/stores in Hong Kong and Macau, depending on the demand of the market and economic conditions, in order to providing more high-class qualities treatment services for our valuable customers. Moreover, the Target Group will increase more high-end beauty equipments for providing different kind of facial and body treatment.

In order to generate additional source of revenues, the Target Group will consider to invite franchisees to participate into the facial and body treatment business and open bigger salons, so as to improve average store sales by adding more service spaces. Franchised salons are owned by franchisees who are responsible for the capital expenditures of their salons. These franchised salons also use MB products in their salons as well.

FINANCIAL EFFECTS OF THE ACQUISITION

After completion of the Acquisition, the Company will own 100% of the issued share capital of Supreme China. Set out in Appendix III to this circular is the unaudited pro forma financial information on the Enlarged Group which illustrates the financial impact of the Acquisition on the Group, assuming the Acquisition had been taken place on 31 December 2008.

Net asset value

As set out in the unaudited pro forma balance sheet of the Enlarged Group in Appendix III to this circular, the total assets and net assets of the Group will be increased by approximately HK\$177.9 million and HK\$82.5 million respectively as a result of the Acquisition.

LETTER FROM THE BOARD

Earnings

Immediately after completion of the Acquisition, Supreme China will become a wholly-owned subsidiary of the Company, the results of which will be consolidated into the Group's financial statements. It is expected that both turnover and earnings of the Group will increase by the amount of turnover and earnings generated by Supreme China from the date of Acquisition.

EGM

The EGM will be held at 11:00 a.m. on Monday, 29 June 2009 at the Conference Room of Room 3401-08, 34th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong, the notice of which is set out on pages E1 and E-2 of this circular, for the Shareholders to consider and, if thought fit, approve the SP Agreement.

In compliance with the Listing Rules, all resolutions will be voted on by way of a poll at the EGM. Any Shareholder with a material interest in the Acquisition and his associate shall abstain from voting on the resolution approving the Acquisition. The Company has confirmed with the Vendor that none of the Vendor nor any of its associates (as defined in the Listing Rules) is holding any Shares. As such, no Shareholder is required to abstain from voting at the EGM.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

RECOMMENDATION

The Directors consider that the SP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of all resolutions set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Lau Jin Wei, Jim
Chairman

SUMMARY OF FINANCIAL RESULTS

The following is a summary of the audited results of the Group for the three years ended 31 December 2008 which are extracted from the respective annual reports of the Company:

RESULTS

	For the year ended 31 December		
	2008	2007	2006
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1,339,707	1,071,833	846,916
Profit before taxation	85,060	418,581	301,360
Income tax	(51,495)	(60,122)	(30,219)
Profit for the year	<u>33,565</u>	<u>358,459</u>	<u>271,141</u>
Attributable to:			
Equity holders of the Company	8,187	311,772	197,039
Minority interests	<u>25,378</u>	<u>46,687</u>	<u>74,102</u>
Profit for the year	<u>33,565</u>	<u>358,459</u>	<u>271,141</u>

ASSETS AND LIABILITIES

	As at 31 December		
	2008	2007	2006
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	3,170,957	3,078,021	2,157,535
Total liabilities	<u>(483,895)</u>	<u>(583,547)</u>	<u>(415,674)</u>
Assets attributable to equity holder of the Company	2,620,208	2,373,793	1,733,907
Minority interests	<u>66,854</u>	<u>120,681</u>	<u>7,954</u>
Total equity	<u>2,687,062</u>	<u>2,494,474</u>	<u>1,741,861</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is extracted from the Company's 2008 annual report relating to audited financial statements for the year ended 31 December 2008:

1. FINANCIAL SUMMARY

The followings are summary of the published results and assets and liabilities extracted from the relevant annual reports of the Group.

Consolidated Income Statement

For the year ended 31 December 2008

		2008	2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	5	1,339,707	1,071,833	846,916
Cost of sales		(846,911)	(526,571)	(475,154)
Gross profit		492,796	545,262	371,762
Valuation gain on investment properties		–	3,013	–
Other revenue and net income	6	160,531	107,461	83,669
Selling and distribution expenses		(100,267)	(83,782)	(50,890)
General and administrative expenses		(404,408)	(138,996)	(89,411)
Profit from operations		148,652	432,958	315,130
Finance costs	7(a)	(63,592)	(14,377)	(13,770)
Profit before taxation	7	85,060	418,581	301,360
Income tax	8(a)	(51,495)	(60,122)	(30,219)
Profit for the year		33,565	358,459	271,141
Attributable to:				
Equity holders of the Company		8,187	311,772	197,039
Minority interests		25,378	46,687	74,102
Profit for the year		33,565	358,459	271,141
Earnings per share				
Basic	13(a)	HK\$0.0065	HK\$0.2785	HK\$0.1972
Diluted	13(b)	HK\$0.0065	HK\$0.2571	HK\$0.1962

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Consolidated Balance Sheet

As at 31 December 2008

		2008	2007	2006
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Goodwill	15	645,566	459,428	–
Property, plant and equipment	16	1,484,614	1,085,699	940,350
Investment properties	17	25,181	23,500	19,240
Prepaid lease payments for land under operating leases	18	178,602	172,964	128,255
Intangible assets	19	36,655	27,563	32,791
Deposits for acquisition of property, plant and equipment	20	175,624	173,737	207,110
Deposits for acquisition of interests in leasehold land held for own use under operating leases		–	–	39,015
Deposits for acquisition of intangible assets	21	–	14,070	13,272
Other deposits and club debenture	22	170	170	170
Deferred tax assets		–	–	7,355
		2,546,412	1,957,131	1,387,558
Current assets				
Prepaid lease payments for land under operating leases	18	3,117	2,966	2,951
Financial assets at fair value through profit or loss	24	29,995	198,786	176,276
Inventories	25	94,880	51,217	33,200
Trade and other receivables	26	240,492	166,762	129,369
Loan receivables	27	63,142	185,437	23,000
Fixed bank deposits	28	5,000	42,733	–
Cash and cash equivalents	29	187,919	472,989	405,181
		624,545	1,120,890	769,977
Current liabilities				
Trade and other payables	30	(81,501)	(163,572)	(183,989)
Current portion of convertible preference shares	31	(199,431)	–	–
Current portion of long-term bank loans	32	(180,000)	(60,000)	(60,000)
Current portion of obligations under finance leases	33	(32)	(39)	(39)
Tax payable		(21,820)	(44,885)	(31,143)
		(482,784)	(268,496)	(275,171)
Net current assets		141,761	852,394	494,806
Total assets less current liabilities		2,688,173	2,809,525	1,882,364

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2008	2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities				
Long-term bank loans	32	–	(180,000)	(140,000)
Obligations under finance leases	33	(5)	(34)	(73)
Deferred tax liabilities	35	(1,106)	(826)	(430)
Convertible preference shares	31	–	(134,191)	–
		<u>(1,111)</u>	<u>(315,051)</u>	<u>(140,503)</u>
NET ASSETS		<u>2,687,062</u>	<u>2,494,474</u>	<u>1,741,861</u>
CAPITAL AND RESERVES				
Share capital	36(a)	133,321	118,334	104,658
Reserves	37(a)	2,486,887	2,255,459	1,629,249
		<u>2,620,208</u>	<u>2,373,793</u>	<u>1,733,907</u>
Total equity attributable to equity holders of the Company		<u>2,620,208</u>	<u>2,373,793</u>	<u>1,733,907</u>
Minority interests		<u>66,854</u>	<u>120,681</u>	<u>7,954</u>
TOTAL EQUITY		<u>2,687,062</u>	<u>2,494,474</u>	<u>1,741,861</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited financial statements of the Group for the year ended 31 December 2008 as extract from the Company's annual report 2008.

Consolidated Income Statement

For the year ended 31 December 2008

		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Consolidated Balance Sheet***As at 31 December 2008*

		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
		<hr/>	<hr/>
		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
		<hr/>	<hr/>
		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)
		<hr/>	<hr/>
		(482,784)	(268,496)
Net current assets		<hr/>	<hr/>
		141,761	852,394
Total assets less current liabilities		<hr/>	<hr/>
		2,688,173	2,809,525

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)
		<hr/>	<hr/>
		(1,111)	(315,051)
		<hr/>	<hr/>
NET ASSETS		2,687,062	2,494,474
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	36(a)	133,321	118,334
Reserves	37(a)	2,486,887	2,255,459
		<hr/>	<hr/>
Total equity attributable to equity holders of the Company		2,620,208	2,373,793
Minority interests		66,854	120,681
		<hr/>	<hr/>
TOTAL EQUITY		2,687,062	2,494,474
		<hr/>	<hr/>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Balance Sheet***As at 31 December 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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

Consolidated Statement of Changes in Equity*For the year ended 31 December 2008*

	Attributable to equity holders of the Company											
											Minority interests	Total equity
				Capital redemption reserve	Share-based compensation reserve	Exchange		Convertible share reserve	Retained profits			
	Share capital	Share premium	Capital reserve			Statutory reserve	fluctuation reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

Consolidated Cash Flow Statement*For the year ended 31 December 2008*

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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 biotechnology 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)).

The preparation of financial statements in 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 judgements 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 interests 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)).

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.

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

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 charged to the income statement in the accounting period in which they are incurred.

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
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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.

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.
- 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.

- 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.

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.

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.

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.

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.

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.

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.

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 chosen 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.

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.

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.

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>1,339,707</u>	<u>1,071,833</u>

6. OTHER REVENUE AND NET INCOME

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>17,105</u>	<u>27,986</u>
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
	<u>143,426</u>	<u>79,475</u>
	<u>160,531</u>	<u>107,461</u>

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
	<u>63,592</u>	<u>14,377</u>
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
	<u>98,995</u>	<u>57,535</u>
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	–
	<u>73,685</u>	<u>–</u>

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 (<i>note</i>)	(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

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 accreditation 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
	<u>200</u>	<u>3,155</u>	<u>238</u>	<u>36</u>	<u>3,629</u>

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
	<u>90</u>	<u>3,275</u>	<u>59</u>	<u>36</u>	<u>3,460</u>

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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and other emoluments	5,873	5,212
Share-based payments	1,499	508
Retirement scheme contributions	48	48
	<u>7,420</u>	<u>5,768</u>

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

	2008 <i>Number of individuals</i>	2007 <i>Number of individuals</i>
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	<u>1</u>	<u>–</u>

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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.03 per ordinary share	<u>–</u>	<u>32,772</u>

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)	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>1,260,214</u>	<u>1,119,389</u>

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
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<u>1,264,945</u>	<u>1,212,833</u>

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;
- 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)

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

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

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.

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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At 1 January	23,500	19,240
Exchange adjustment	1,681	1,247
Valuation gain on investment properties	—	3,013
	<hr/>	<hr/>
At 31 December	25,181	23,500
	<hr/>	<hr/>

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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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
	<hr/>	<hr/>
	181,719	175,930
Analysed for reporting purposes as:		
Current portion	3,117	2,966
Non-current portion	178,602	172,964
	<hr/>	<hr/>
	181,719	175,930
	<hr/>	<hr/>

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

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Club debenture	460	460
Less: Impairment loss on club debenture	(290)	(290)
	<u>170</u>	<u>170</u>

23. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	580,671	315,327

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

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 (<i>Note (i)</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 (<i>Note (ii)</i>)	PRC	Manufacture and sale of household products and industrial products/ PRC	Approximately HK\$111,319,000	100%
Global Cosmetics (China) Co., Limited* (<i>Note (iii)</i>)	PRC	Manufacture and sale of cosmetics and skincare products/PRC	HK\$160,000,000	100%
Dongguan Gao Bao Chemical Co., Limited (<i>Note (iv)</i>)	PRC	Manufacture and sale of household products and industrial products/ PRC	RMB7,761,000	100%

Name	Place of incorporation/ establishment	Principal activities/ place of operation	Particulars of issued and paid-up share/ contributed capital	Interest held
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.
- 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities at market value		
– in Hong Kong	25,158	192,209
– outside Hong Kong	4,837	6,577
	<u>29,995</u>	<u>198,786</u>

25. INVENTORIES

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

26. TRADE AND OTHER RECEIVABLES

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

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

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<hr/>	<hr/>
	211,422	118,282
Less: Impairment loss on trade receivables	(30,574)	(9,620)
	<hr/>	<hr/>
	180,848	108,662
	<hr/>	<hr/>

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.

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
	<i>'000</i>	<i>'000</i>
Renminbi (“RMB”)	156,684	100,384
United States Dollars (“US\$”)	830	744
	<hr/>	<hr/>

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

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<hr/>	<hr/>
At 31 December	51,692	9,620
	<hr/>	<hr/>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate loan receivables	63,142	75,137
Variable-rate loan receivables	–	110,300
	<u>63,142</u>	<u>185,437</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand	<u>187,919</u>	<u>472,989</u>	<u>2,439</u>	<u>3,245</u>

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
	<i>'000</i>	<i>'000</i>
RMB	144,087	408,787
US\$	1,923	349
Euro ("EUR")	<u>241</u>	<u>23</u>

30. TRADE AND OTHER PAYABLES

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

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

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>36,540</u>	<u>87,041</u>

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
	<i>'000</i>	<i>'000</i>
RMB	22,238	60,348
US\$	1,136	2,879
Great British Pound	81	–
EUR	27	–
	<u>24,482</u>	<u>63,227</u>

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 (<i>note</i>)	(3,288)
	<hr/>
Carrying amount at 31 December 2007	134,191
Finance cost accrued	55,383
Preferred dividend paid	(9,150)
Currency realignment	19,007
	<hr/>
Carrying amount at 31 December 2008	<u>199,431</u>

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.

32. LONG-TERM BANK LOANS

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

	The Group		The Company	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<hr/>	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>	<hr/>
	–	180,000	–	180,000
	<u>–</u>	<u>180,000</u>	<u>–</u>	<u>180,000</u>

- 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

	Present value of the minimum lease payments HK\$'000	2008 Interest expenses relating to future periods HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	2007 Interest expenses relating to future periods HK\$'000	Total minimum lease payments 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
	<u>177,986</u>		

- 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	<u>177,986</u>	0.89	<u>51,702</u>

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).

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 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 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 '000	Purchase price per share		Total consideration paid (including transaction costs) HK\$'000
		Highest HK\$	Lowest HK\$	
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.

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

Exercise period	Exercise price	2008	2007
		Number '000	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	–
		<u>177,986</u>	<u>51,702</u>

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

37. RESERVES

a) The Group

	Attributable to equity holders of the Company							
	Share premium	Capital reserve	Capital redemption reserve	Share-based compensation reserve	Statutory reserve	Exchange fluctuation reserve	Convertible preference share reserve	Retained profits
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note i)	(Note ii)	(Note iii)	(Note iv)	(Note v)		
At 1 January 2007	784,877	900	–	11,325	18,694	22,425	–	791,028
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)
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	–
Profit for the year	–	–	–	–	–	–	–	311,772
At 31 December 2007 and 1 January 2008	911,885	166,159	–	8,924	88,805	53,134	26,635	999,917
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)	–	–	–	–	–	–	–
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	–	–
Profit for the year	–	–	–	–	–	–	–	8,187
At 31 December 2008	1,092,905	166,159	300	24,754	110,121	79,461	26,635	986,552

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).

b) 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)	(Accumulated loss)/Retained profits HK\$'000	Total HK\$'000
	Note						
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.

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>465,903</u>	<u>605,940</u>
Due for payment:		
Within 1 year	465,897	240,546
Between 1 and 5 years	6	365,394
	<u>465,903</u>	<u>605,940</u>
	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>636,535</u>	<u>663,061</u>
Due for payments:		
Within 1 year	636,535	478,132
Between 1 and 5 years	—	184,929
	<u>636,535</u>	<u>663,061</u>

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.

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for:		
– Intangible assets	–	475
– Property, plant and equipment	149,984	112,108
	<u>149,984</u>	<u>112,583</u>
	<u><u>149,984</u></u>	<u><u>112,583</u></u>

- 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	2,090	1,764
After 1 year but within 5 years	735	2,508
	<hr/>	<hr/>
	2,825	4,272
	<hr/>	<hr/>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	1,369	599
After 1 year but within 5 years	–	50
	<hr/>	<hr/>
	1,369	649
	<hr/>	<hr/>

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.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2006**BUSINESS REVIEW**

Turnover for the year ended 31 December 2006 was HK\$846.92 million, representing a decrease of 6.11% from that of HK\$902.02 million (restated) in the preceding year. As compared the turnover for the year ended 31 December 2006 with that of preceding year, the disposal of marketable securities in year 2005 contributed HK\$132.15 million to the turnover, however, it had only contributed HK\$6.1 million to turnover in year 2006. Profit for the year increased from HK\$249.35 million in 2005, which included the profit on disposal of marketable securities amounting to HK\$92.44 million, to HK\$271.14 million in 2006. Basic earnings per share were HK\$0.1972 (2005: HK\$0.2414).

The satisfactory results were mainly attributable to the excellent contribution from the cosmetics and skincare products, investment in securities and bonds which were either listed in Hong Kong or overseas, foreign currencies, other fixed income assets portfolio. Despite the increase in crude oil price, our traditional businesses, industrial surfactants and home and personal care products, continued to generate stable recurring income for the Group.

OPERATIONAL REVIEW**I. Industrial Surfactants**

For the year ended 31 December 2006, turnover of industrial surfactants increased by 15.08% reaching HK\$258.03 million, accounted for 30.47% of the Group's total turnover.

With a long operational history and a solid customer base, industrial surfactants has been the Group's primary business. With transferring some cost to customers, adopting stringent cost control measures and slightly decrease in materials costs in the second half of the year, we were able to boost the profit margin of the segment. The Group also benefited from the Chinese government's policy to phase out phosphorus surfactants, as it has been continuous developing environmental-friendly industrial surfactants. The Group believes the segment will maintain stable growth.

II. Home and Personal Care Products

For the year ended 31 December 2006, turnover of home and personal care products decreased slightly to HK\$166.18 million, accounted for 19.62% of the Group's total turnover.

With long-standing customers relationship and strong customers database, we believed that home and personal care products continued to generate recurring and stable income and operating profit for the Group even though with continuing keen market competition. The Group is committed to developing new products to meet the ever-changing needs of customers. To enhance our competitiveness and expand market share, we regularly reviewed to improve our existing products and developed new products to cater for the customers' needs of the market.

III. Cosmetics and Skin Care Products

For the year ended 31 December 2006, turnover of cosmetics and skincare products increased by 16.34% reaching HK\$409.48 million, accounted for 48.41% of the Group's total turnover. Its operating profit rose 50.88% to HK\$210.4 million. The segment became one of the key growth revenue driver of the Group.

The rapid economic development in Mainland China has boosted people's consumption power. The demand for high quality cosmetics and skin care products in the country continued to surge. With a state-of-the-art GMP compliant manufacturing base, we are capable of developing the finest cosmetics and skin care products which enables us to penetrate into the sophisticated cosmetics market such as European and North America.

Having launched salon and professional skincare products' series in the PRC market, we successfully explore a new market, sales network and new customers' base for our products. Through this network, it enables the products further penetrate into the second tier's and third tier's market and hence contribute much revenues and gross margin to the segment in year 2006.

Relying on the Group's excellent in-house design team, research and development technique, GMP compliant manufacturing base and knowledge in the area of cosmetics and skincare products, the Group successfully opened and extended its arm to the market of cosmetics and skincare's ODM products in Europe and North America which were categorised as gift and premium last year. This fast growing business causes the Group to record a geometrically growth in revenue in year 2006 as compared with last year.

The Group's effective multi-sales channels' strategy contributed to the encouraging results of cosmetics and skincare products. With series of successful promotional campaign during the year, the Group had been able to achieve market reach far and wide. Currently, the retail network comprises a total of 178 outlets in Mainland China and 20 counters in Hong Kong and Macau.

IV. Biotechnology Products and New Production Facilities for Raw Materials

The biotechnology products business consists mainly of production of patented biotech raw materials for medical and cosmetic companies. Its products include a range of biotechnology products, such as "hEGF", which is effective in revitalizing human skin and heal surface wounds. During the year under review, the business recorded turnover of HK\$7.13 million, representing 0.84% of the Group's total turnover. "hEGF" is one of the key ingredients for MB's products, as such, it is mainly produced for internally consumption during the year.

The new factory for producing replacement materials such as industrial enzymes and LLactic acid was completed about in the third quarter of 2006 and machinery and equipments were fully installed in the first quarter of 2007. Trial run is scheduled in about the second quarter of 2007. The production of replacement materials will help to minimise the Group's exposure to risks from increase or fluctuation of production cost.

V. Investments

Due to the economic boom in the past two years, the Group had successfully realised tremendous profits from the trading in listed marketable equity securities, foreign currencies, bonds, various funds and fixed income assets in the secondary market. The Group, with the advice of professional investment expertise, will search for a combination of potential investment portfolios and continue to benefit from this additional sources of income to the Group. During the year ended 31 December 2006, total amount of operating profit generated in this segment amounted to HK\$35.13 as compared with HK\$92.44 in the last year. As at 31 December 2006, total market value of marketable securities held by the Group amounted to HK\$167.73.

MATERIAL ACQUISITION

The Group has not conducted any material acquisition during the year ended 31 December 2006.

PROSPECTS

The Group has devised a two-pronged strategy to expand its businesses. It will seek to maintain a reasonable profit margin for its traditional industrial surfactants and home and personal care products businesses, as they generate stable income for the Group, giving it the resources required to fund new business developments with promising potential; and at the same time, it will capture the tremendous opportunities in the cosmetics and skin care products market and the green recycling energy business.

The cosmetics and skin care products business will remain as the Group's growth driver in the coming year. The Group's effective branding strategy has been MB established a premier image in Hong Kong, which is expected to help it bring in strong recurring income to the Group. We also expect to see the demand for MB in the Mainland China to grow continuously. The Group will focus on the Mainland China market and target to capture more market share for MB by expanding its sales network.

NEW BUSINESS WITH ENORMOUS POTENTIAL – GREEN RECYCLE ENERGY

In view of the volatile crude oil price and unstable international oil supply, the Group has stepped up development of environmental friendly power technology. We have been successful in developing technology for recycling waste plastic materials and are partnering with a petroleum refinement company to recycle waste plastics, tyres, PVC foam and used oil into highly efficient gasoline, diesel and natural gas. Patented in the PRC, the technology applies the integrative pyrolysis procedure in treating waste materials.

The technology has been patented in the PRC (Patent Number: 03284657-6) and licensed by the National Quality and Techniques Investigation Bureau (Reference Number: 2101-38- 335-2001, Inspection Number: 01W8904). Global Green is in the process to patent the new technology in 102 countries including the US, Europe and South East Asia.

The Hong Kong Science and Technology Parks Corporation of HKSAR Government, having assessed and satisfied with our sophisticated recycle energy technology, approved the Group's application for a site at the Yuen Long Industrial Estate for setting up its recycle energy business. Due to formalities and bureaucracy of the application procedures, the Group was finally granted that piece of land of

approximately 24,000 square metre at low price in Yuen Long Industrial Estate in late December 2006 and the transfer of ownership was subject to fulfillment of certain conditions under the lease agreement. The construction of the plant will start at about the second quarter of 2007 and is scheduled for completion by the first quarter of 2008 with production to commence in the mid of 2008.

With the HKSAR Government's recognition and support, we plan to develop this business in the Hong Kong market, mainly through wholesaling the high quality petroleum products to different public transportation corporations, such as bus, taxi and ferry companies. The Group is currently discussing with the authority about tax exemption arrangement and other entitlements. When the new plant is fully functional, we will consider expanding this business overseas to markets facing high oil price pressure, such as Singapore, Taiwan and Japan. The Group aims to become a major provider of green recycled energy to the community in the years to come.

RESULTS

Turnover for the year ended 31 December 2006 was HK\$846.92 million, representing a decrease of 6.11% from that of HK\$902.02 million (restated) in the preceding year. As compared the turnover for the year ended 31 December 2006 with that of preceding year, the disposal of marketable securities in year 2005 contributed HK\$132.15 million to the turnover, however, it had only contributed HK\$6.1 million to turnover in year 2006. Profit for the year increased from HK\$249.35 million in 2005, which included the profit on disposal of marketable securities amounting to HK\$92.44 million, to HK\$271.14 million in 2006.

Revenue generated from the sales of home and personal care products decreased slightly to HK\$166.18 million. Revenue generated from the sales of industrial surfactants increased by 15.08% to HK\$258.03 million. Revenue generated from the sales of cosmetics and skin care products was increased by 16.34% to HK\$409.48 million.

Gross profit of the Group for the year ended 31 December 2006 decreased to HK\$371.76 million from that of HK\$392.85 million (restated) for the previous year where overall gross margin increased to 43.89% from that of 43.55% for the pervious year due to improvement in the gross margin of industrial surfactants and cosmetics and skincare products.

Selling and distribution expenses for the year ended 31 December 2006 amounted to HK\$50.89 million representing 6.01% of turnover compared with that of HK\$61.58 million or 6.83% of turnover for last year. As compared with last year, the amount spending on advertising and promotion of cosmetics and skincare products decreased by HK\$10.54 million.

General and administrative expenses was HK\$89.41 million or 10.56% of turnover for the year ended 31 December 2006 compared to that of HK\$98.77 million or 10.95% of turnover for the preceding year, due to interest and handling charges amounting to HK\$6.23 million associated with the replacement of syndicated loan and increase in salaries payment amounting to HK\$6.7 million associated with increase in number of employees

Total depreciation charges for fixed assets for the year ended 31 December 2006 amounted to HK\$53.67 million (2005: HK\$41.81 million), as a result of completion of the new production complex for cosmetics and skin care products and installation of new machineries and equipments during the year.

Amortisation for intangible assets for the year ended 31 December 2006 amounted to HK\$9.46million (2005: HK\$11.79 million) representing the amortisation of license rights for production of biotechnology products with cosmetic and pharmaceutical applications. Finance costs for the year ended 31 December 2006 amounted to HK\$13.77 million, due to interest expenses on the syndicated loan.

USE OF PROCEEDS FROM ISSUE OF SHARES

During the year, 104,469,000 share options were exercised at an average exercise price of HK\$0.78 per ordinary share with cash proceeds of approximately HK\$81.54 million, before any related expenses. The net proceeds from exercise of share options were used to finance general working capital requirement. The exercise of 104,469,000 share options resulted in the issue of 104,469,000 additional ordinary shares of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash or cash equivalent of approximately HK\$405.18 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 Dollar 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' fund as at 31 December 2006 was HK\$1,733.91 million compared with that of HK\$1,439.45 million as at 31 December 2005, representing an increase of HK\$294.46 million or 20.46%.

The Group's capital expenditure for the year ended 31 December 2006 amounted to HK\$565.66 million were funded from cash generated from operations and bank loans.

The indebtedness of the Group mainly comprises of trust receipt loans, 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.

The banking facilities mainly comprised of trust receipt loans and invoice financing loan of tenor up to 120 days from the invoice date. The bank interest rates are mainly fixed by reference to either the Hong Kong Prime rate or the Hong Kong Interbank Offer Rate.

As at 31 December 2006, the Group's banking facilities had been utilized to the extent of approximately HK\$207.33 million, of which HK\$200 million representing syndicated loan.

The Group's inventory turnover period was reduced to 26 days from that of 29 days for the same period of last year. Debtor's and creditor's turnover periods were 80 days and 101 days respectively.

Debt to equity ratio (total interest bearing debts over shareholders' funds) and gearing ratio (total interest bearing debts over total assets) were 11.47% and 9.23% respectively as compared with that of 12.44% and 10.2% for the previous year, reflecting the effect of raising the syndication loan. Current ratio and Quick ratio were improved to 2.84 and 1.48 respectively whilst interest cover was 23.06 times.

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 2006, the Group had 948 salaried employees of which 886 and 62 were stationed respectively in the PRC and in Hong Kong. Total staff costs paid during the year was approximately HK\$36.84 million.

CONTINGENT LIABILITY AND CHARGE ON GROUP ASSETS

The Group did not have any significant contingent liabilities as at 31 December 2006. As at 31 December 2006, all banking facilities of the Group were secured by corporate guarantees executed by the Company and certain subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007**BUSINESS REVIEW**

2007 is an exceptional year for Global Green, which it attained a significant growth in both turnover and profit. Turnover rose to HK\$1,071.83 million, representing an increase of 26.56% from that of HK\$846.92 million a year ago. Gross profit increased to HK\$545.26 million, representing an increase of 46.67% from that of HK\$371.76 million in the last year. Profit increased to HK\$358.46 million, 32.2% above last year's HK\$271.14 million. Basic earnings per share was HK\$0.2785 (2006: HK\$0.1972).

In 2007, the cosmetics and skincare business remained the Group's largest contributor to the revenues and net profits. Appreciation in value of investment in securities and income generated from bonds, foreign currencies and other fixed income assets portfolio are also key contributing components of the revenues and net profits. At the meantime, our core businesses, industrial surfactants and household products, continued to generate stable recurring income and profits to the Group.

OPERATIONAL REVIEW**I. Household Products**

For the period under review, turnover of household products increased to HK\$167.19 million, representing a slightly increase of 0.61% from a year ago and accounting for 15.60% of the Group's total turnover.

Despite the cost increase in major raw materials and keen market competition, the Group was able to strategically shift part of its cost to customers. With a strong R&D team, the Group could also regularly introduce new products to address the more sophisticated customer needs. The Group believes that with its competitive pricing and marketing strategy, this segment will maintain a steady growth and be an ongoing momentum of the Group.

II. Industrial Surfactants

For the year ended 31 December 2007, turnover of industrial surfactants went up by 14.87% reaching HK\$296.4 million, accounting for 27.65% 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. The Group was able to boost up its profit margin through continuous implementation of cost control measures. Its environmental-friendly industrial surfactants were also benefited from the rising awareness of environmental protection issue by the PRC Government. The Group will continue to lower the production costs of this segment by means of production of industrial enzymes and development of substitute materials. The new factory for production of replacement materials will help to minimise the Group's exposure to risks from increase or fluctuation of production costs of industrial segment.

III. Cosmetics And Skincare Products

During the review period, turnover of cosmetics and skincare products rose 42.44% to HK\$583.27 million, accounting for 54.35% of the Group's total turnover. This segment has become one of the key growth drivers of the Group.

The PRC economy continued its rapid growth in the year 2007. The domestic consumption sector also recorded an impressive growth, in particular the retail industry which lifts the demand surge for high quality cosmetics and skincare products. The Group's effective branding strategy with celebrity spokesperson, sponsorship of television programmes, and advertising campaigns through variety of media continued to strengthen our brand name amongst consumers and led to increase in sales.

With a state-of-the-art GMP-production base and R&D technique, 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. This fast growing business registered a significant growth in revenue again in the year 2007.

In December 2007, one of our major cosmetics branch subsidiaries in the PRC, Global Cosmetics (China) Company Limited was awarded "High New Technology Enterprise in Guangdong" (廣東省高新技術企業) by the Guangdong Science and Technology Council (廣東省科學技術廳). By obtaining this award, Global Cosmetics (China) Company Limited will enjoy a preferential state income tax rate of 15% from the years 2009 to 2013 (both years inclusive).

IV. Biotechnology Products

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

V. Investments

The Group's investment portfolio had got a significant appreciation as at 31 December 2007. During the year ended 31 December 2007, total amount of operating profit generated in this segment reached HK\$20.77 million as compared with HK\$35.13 million in the last year. As at 31 December 2007, total market value of marketable securities held by the Group amounted to HK\$198.79 million.

ANALYSIS OF OPERATING EXPENSES

Selling and distribution expenses for the year ended 31 December 2007 amounted to HK\$83.78 million representing 7.82% of turnover compared with that of HK\$50.89 million or 6.01% of turnover for last year. As compared with last year, the amount spending on advertising and promotion of cosmetics and skincare products increased by HK\$30.78 million.

General and administrative expenses was HK\$139 million or 12.97% of turnover for the year ended 31 December 2007 compared to that of HK\$89.41 million or 10.56% of turnover for the preceding year, due to increase in professional and consultancy fee associated with preparation of spinning off of cosmetics group by HK\$31.92 million, increase in salaries by HK\$11.65 million, increase in auditors' remuneration by HK\$1.7 million and the increase in general provision for receivables.

Total depreciation charges for fixed assets for the year ended 31 December 2007 amounted to HK\$76.14 million (2006: HK\$53.67 million), due to completion of the new production complex and staff quarters for cosmetics and skincare products and commence operation of the new machineries and equipments installed.

Total amortisation charges for intangible assets and leasehold hand for own use amounted to HK\$9.84 million (2006: HK\$12.25 million).

Finance costs for the year ended 31 December 2007 amounted to HK\$14.38 million, mainly due to interest expenses of the syndicated loan.

USE OF PROCEEDS FROM ISSUE OF SHARES AND WARRANTS

During the year, 51,274,500 share options and 85,492,524 warrants were exercised at an average exercise price of HK\$0.89 per ordinary share and HK\$0.98 per ordinary share respectively with gross cash proceeds of approximately HK\$129.05 million, 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 51,274,500 share options and 85,492,524 resulted in the issue of 136,767,024 additional ordinary shares of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash or cash equivalent of approximately HK\$515.72 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 Dollar 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' fund as at 31 December 2007 was HK\$2,373.79 million compared with that of HK\$1,733.91 million as at 31 December 2006, representing an increase of HK\$639.88 million or 36.9%.

The Group's capital expenditure for the year ended 31 December 2007 amounted to HK\$161.12 million were funded from cash generated from operations and bank loans.

The indebtedness of the Group mainly comprises of trust receipt loans, 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.

The banking facilities mainly comprised of trust receipt loans and invoice financing loan of tenor up to 120 days from the invoice date. The bank interest rates are fixed by reference to either the Hong Kong Prime rate or the Hong Kong Interbank Offer Rate.

As at 31 December 2007, the Group's banking facilities had been utilized to the extent of approximately HK\$255.53 million which included the syndicated loan.

The Group's inventory turnover period was 53 days. Debtor's and creditor's turnover periods were approximately 37 days and 58 days respectively.

Debt to equity ratio (total interest bearing debts over shareholders' funds) and gearing ratio (total interest bearing debts over total assets) were 15.77% and 12.16% respectively whereas current ratio and interest coverage were 4.17 and 30.11 respectively.

MATERIAL ACQUISITION

The Group has not conducted any material acquisition during the year ended 31 December 2007.

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 HKSAR Government granted a site of approximately 24,000 square metres in the Yuen Long Industrial Estate at approximately HK\$39.01 million for the Group to set up its recycle energy business. Construction work is expected to complete in the second half of 2008 and production will commence in the second quarter of 2009. The Group believes that this business will become one of the major sources of revenue to the Group in future.

The Group will first develop the Hong Kong market, mainly through wholesaling high quality petroleum products to different 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.

BIOTECH PRODUCTS

Through years of collaboration with R&D team in University of Hong Kong as well as the grant from Innovation and Technology Fund of the HKSAR Government, the industrial enzymes entered the final phrase of commercialization. The Directors believe that this business will start bringing revenues to industrial segment in 2008. The Group also believes that the production of industrial enzymes will greatly reduce its reliance on overseas import as well as production costs.

COSMETICS AND SKINCARE PRODUCTS

Currently, the Group has nine product series which are under the brand name of “Marjorie Bertagne (MB)”. Besides, we have also developed colour cosmetics and personal care products through our in-house products design and development team, under our own private label brand names, targeting at overseas and the PRC markets in 2008.

Other than that, we also design and produce high quality skincare products, colour cosmetics and toiletries for our 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, we also provide research, development, sourcing, merchandising and technical enquires to our customers.

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 2007, the Group had 1,264 salaried employees of which 1,188 and 76 were stationed respectively in the PRC and in Hong Kong. Total staff costs paid during the year was approximately HK\$57.54 million.

CONTINGENT LIABILITY AND CHARGE ON GROUP ASSETS

The Group did not have any significant contingent liabilities as at 31 December 2007.

As at 31 December 2007, the banking facilities of the Group were secured by corporate guarantees executed by the Company and certain subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008**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.

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.

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%.

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.

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.

INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES**Borrowings**

As at the close of business on 30 April 2009 being the latest practicable date for the ascertaining certain information relating to this indebtedness statement, apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 30 April 2009, the Enlarged Group had aggregate outstanding borrowings of approximately HK\$374.1 million, comprising finance lease of approximately HK\$22,000 which was secured by the assets under finance lease, unsecured borrowings of HK\$145.52 million, and bank loan of approximately HK\$150.2 million which were secured by corporate guarantee provided by Global Chemicals (China) Company Limited (“Global Chemical China”), an indirectly wholly owned subsidiary of the Company.

Saved as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 30 April 2009, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees.

Contingent liabilities

As at the close of business on 30 April 2009, the Enlarged Group did not have any material contingent liabilities.

Securities and charges

As at the close of business on 30 April 2009, the Enlarged Group’s aggregate banking facilities in respect of the bank borrowings were approximately HK\$150.2 million which were secured by corporate guarantee provided by Global Chemical China.

Save as disclosed above, the Enlarged Group did not have any mortgages or charges at the close of business on 30 April 2009.

As at the Latest Practicable Date, the Directors confirm that there was no material change in the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2009.

WORKING CAPITAL

In determining the sufficiency of the working capital of the Enlarged Group after Completion, the Directors have made the assumption that, for at least the next 12 months from the date of this circular, (i) there is no material adverse change of revenue, cost of sales, expenses and the available of loan facilities of the Enlarged Group; and (ii) the repayment of the outstanding loan facilities are on schedule.

The Directors are of the opinion that taking into account of the internal resources, available banking facilities, borrowings and based on the assumption set out in the preceding paragraph, the Enlarged Group, following the Completion will have sufficient working capital, in the absence of unforeseen circumstances, for its present requirements, that is for at least the next 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date of which the latest audited financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP**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.

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.



HOPKINS CPA LIMITED
 3/F Sun Hung Kai Centre
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 Hong Kong

12 June 2009

The Board of Directors
 Global Green Tech Group Limited
 Room 3401-08, 34th Floor, Office Tower
 Convention Plaza
 1 Harbour Road
 Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information of Supreme China Limited (“Supreme China”), including the consolidated balance sheets of Supreme China as at 31 March 2007, 2008 and 2009, and the related consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of Supreme China for each of the years ended 31 March 2007, 2008 and 2009 (the “Relevant Periods”) and the summary of significant accounting policies and other explanatory notes thereto (collectively the “Financial Information”) for inclusion in the circular (the “Circular”) dated 12 June 2009 issued by Global Green Tech Group Limited (the “Company”) in connection with the proposed acquisition of the entire equity interest in Supreme China by the Company.

Supreme China was incorporated on 12 February 2002 in the British Virgin Islands (the “BVI”) as a limited liability company under the International Business Companies Act (Cap. 291) of the BVI. The principal activity of Supreme China during the Relevant Periods was investment holding.

As at the date of this report, Supreme China has the direct interest in the following subsidiary:

Name of subsidiary	Issued capital	Date and place of incorporation	Percentage of equity attributable to Supreme China	Principal activities
Cristal Marketing Management Company Limited	HK\$5,010,000 (5,010,000 shares of HK\$1 each)	24 August 2001 Hong Kong	100%	Retailing of cosmetics and provision of treatment services

No audited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for Supreme China since its date of incorporation as there are no statutory audit requirements in the country of its jurisdiction.

For the purpose of this report, the directors of Supreme China have prepared the financial statements of Supreme China for the Relevant Periods (the “Underlying Financial Statements”) in accordance with HKFRSs. We have, for the purpose of this report, examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The Financial Information of Supreme China for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

For the purpose of this report, the directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatements, whether due to fraud and error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Supreme China as at 31 March 2007, 2008 and 2009 and of Supreme China’s results and cash flows for the Relevant Periods.

APPENDIX II
ACCOUNTANTS' REPORT ON THE TARGET GROUP

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 March		
		2007	2008	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	5	107,903	122,032	112,904
Cost of goods sold		(26,554)	(30,961)	(26,667)
Gross profit		81,349	91,071	86,237
Other revenue and net income	6	309,405	269,099	202,680
Operating expenses		(36,140)	(45,457)	(47,145)
General and administrative expenses		(4,679)	(5,278)	(4,339)
Finance costs		(41)	(41)	(52)
Profit before taxation	7	349,894	309,394	237,381
Taxation	9	(2,074)	–	(32)
Profit after taxation		<u>347,820</u>	<u>309,394</u>	<u>237,349</u>
DIVIDENDS:				
INTERIM DIVIDEND		<u>341,090</u>	<u>50,686</u>	<u>504,160</u>
(2007: HK\$341,090,000 per share, 2008: HK\$50,686,000 per share, 2009: HK\$504,160,000 per share)				

CONSOLIDATED BALANCE SHEETS

		As at 31 March		
		2007	2008	2009
	Note	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	11	9,093	7,552	4,499
Available-for-sale financial assets	12	5,980	274,838	546
		<u>15,073</u>	<u>282,390</u>	<u>5,045</u>
CURRENT ASSETS				
Inventories	13	1,309	1,295	3,101
Trade debtors		4,001	2,710	3,207
Deposits and prepayments		3,214	4,373	4,095
Amount due from a director	14	–	–	582
Tax recoverable		–	2,074	2,042
Cash and bank balances		3,025	1,371	2,628
		<u>11,549</u>	<u>11,823</u>	<u>15,655</u>
CURRENT LIABILITIES				
Bank overdraft		–	(875)	–
Borrowings	15	–	(2,518)	–
Trade creditors and sundry payables		(1,299)	(1,384)	(1,255)
Amount due to a related company	16	(2,966)	(1,945)	(5,286)
Amount due to a director	16	(2,232)	(7,919)	–
Receipts in advance		(12,768)	(15,258)	(16,656)
Tax payable		(1,751)	–	–
		<u>(21,016)</u>	<u>(29,899)</u>	<u>(23,197)</u>
NET CURRENT LIABILITIES		<u>(9,467)</u>	<u>(18,076)</u>	<u>(7,542)</u>
NET ASSETS/(LIABILITIES)		<u><u>5,606</u></u>	<u><u>264,314</u></u>	<u><u>(2,497)</u></u>
CAPITAL AND RESERVES				
Issued capital	17	1	1	1
Share premium	17	389	389	389
Retained profit/(Accumulated loss)		5,216	263,924	(2,887)
		<u>5,606</u>	<u>264,314</u>	<u>(2,497)</u>

BALANCE SHEETS

		As at 31 March		
		2007	2008	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Investment in a subsidiary	18	8,309	8,309	8,309
CURRENT LIABILITIES				
Amount due to a director	16	(7,919)	(7,919)	(7,919)
NET ASSETS		390	390	390
CAPITAL AND RESERVES				
Issued capital	17	1	1	1
Share premium	17	389	389	389
		390	390	390

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	(Accumulated loss)/ Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 31 March 2006	1	389	(1,235)	(845)	359	(486)
Net profit for the year	–	–	347,541	347,541	279	347,820
Dividends paid	–	–	(341,090)	(341,090)	–	(341,090)
Acquisition of minority interest	–	–	–	–	(638)	(638)
Balance at 31 March 2007	1	389	5,216	5,606	–	5,606
Net profit for the year	–	–	309,394	309,394	–	309,394
Dividends paid	–	–	(50,686)	(50,686)	–	(50,686)
Balance at 31 March 2008	1	389	263,924	264,314	–	264,314
Net profit for the year	–	–	237,349	237,349	–	237,349
Dividends paid	–	–	(504,160)	(504,160)	–	(504,160)
Balance at 31 March 2009	1	389	(2,887)	(2,497)	–	(2,497)

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities:			
Profit before taxation	349,894	309,394	237,381
Adjustments for:			
Depreciation	2,658	3,768	3,310
Bad debt written off	1	–	–
Dividend income	(75,000)	–	–
Gain on disposal of an associated company	(234,290)	–	–
Gain on disposal of available-for-sale financial assets	–	(268,858)	(202,566)
Loss on disposal of property, plant and equipment	55	–	387
Interest income	(70)	(65)	(24)
Interest expense	27	22	–
Operating profit before working capital changes	43,275	44,261	38,488
Movements in:			
Inventories	(114)	14	(1,806)
Trade debtors and sundry receivables	(2,586)	1,291	(219)
Trade creditors and sundry payables	1	85	1,269
Deposits and prepayments	–	(1,159)	–
Amount due to a director	4,838	5,687	(8,501)
Receipts in advance	(2,867)	2,490	–
Amount due to a related company	(221)	(1,021)	3,341
Cash generated from operations	42,326	51,648	32,572
Interest paid	(27)	(22)	–
Profits tax paid	(670)	(3,825)	–
Net cash generated from operating activities	41,629	47,801	32,572
Cash flows from investing activities:			
Purchase of property, plant and equipment	(6,773)	(2,227)	(644)
Dividends received	75,000	–	–
Proceeds from disposal of available-for-sale financial assets	–	274,058	476,858
Purchase of available-for-sale financial assets	–	(274,058)	–
Interest received	70	65	24
Acquisition of minority interest	(638)	–	–
Disposal of associated companies	241,090	–	–
Net cash generated from/(used in) investing activities	308,749	(2,162)	476,238

	Year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Cash flows from financing activities:			
Dividend paid	(341,090)	(50,686)	(504,160)
Repayment of borrowings	(9,061)	(492)	(2,518)
Proceeds from borrowings	—	3,010	—
Net cash used in financing activities	(350,151)	(48,168)	(506,678)
Net increase/(decrease) in cash and cash equivalents	227	(2,529)	2,132
Cash and cash equivalents at the beginning of the year	2,798	3,025	496
Cash and cash equivalents at the end of the year	3,025	496	2,628
Analysis of the balance of cash and cash equivalents:			
Cash and bank balances	3,025	1,371	2,628
Bank overdrafts and loans repayable within three months from the date of advance	—	(875)	—
	3,025	496	2,628

1. REPORTING ENTITY

Unless the context requires otherwise, "Supreme China" means Supreme China Limited and the "Supreme Group" means Supreme China together with its subsidiary.

Supreme China was incorporated on 12 February 2002 in the British Virgin Islands (the "BVI") as a limited liability company under the International business Companies Act (Cap. 291) of the BVI. The address of the registered office is PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI and its principal place of business is 31 New Henry House, 10 Ice House Street, Central, Hong Kong.

The principal activity of Supreme China is investment holding and its subsidiary is engaged in retailing of cosmetics and provision of treatment services.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of Supreme China.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Supreme China Limited has consistently applied HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") amendments and interpretations ("INT") issued by the HKICPA that are effective for annual accounting periods beginning on 1 January 2008.

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of financial statements ³
HKAS 23 (Revised)	Borrowing costs ³
HKAS 27 (Revised)	Consolidated and separate financial statements ⁴
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ³
HKAS 39 (Amendments)	Eligible hedged items ⁴
HKFRS 1	First-time adoption of financial reporting standards ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ³
HKFRS 2 (Amendment)	Vesting conditions and cancellations ³
HKFRS 3 (Revised)	Business combinations ⁴
HKFRS 7 (Amendment)	Improving disclosures about financial instruments ³
HKFRS 8	Operating segments ³
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives ⁵
HK(IFRIC) – INT 13	Customer loyalty programmes ⁶
HK(IFRIC) – INT 15	Agreements for the construction of real estate ³
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁷
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners ⁴
HK(IFRIC) – INT 18	Transfer of assets from customers ⁸

- 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, 1 July 2009 and 1 January 2010, as appropriate.
- ³ Effective for annual periods beginning on or after 1 January 2009.
- ⁴ Effective for annual periods beginning on or after 1 July 2009.
- ⁵ Effective for annual periods ending on or after 30 June 2009.
- ⁶ Effective for annual periods beginning on or after 1 July 2008.
- ⁷ Effective for annual periods beginning on or after 1 October 2008.
- ⁸ Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect Supreme China's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment on changes in Supreme China's ownership interest in a subsidiary. The directors of Supreme China 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 Supreme China.

3. BASIS OF PREPARATION

The measurement base adopted is the historical cost accounting convention as modified by the revaluation of available-for-sale financial assets, which are carried at fair value. Specific accounting policies adopted by Supreme China are set out below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the respective notes, if appropriate.

4. PRINCIPAL ACCOUNTING POLICIES

a. Statement of Compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Accounting Standards ("HKAS"), HKFRSs and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The financial statements have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

b. Subsidiaries and Minority Interests

Subsidiaries are entities controlled by the Supreme Group. Control exists when the Supreme 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 combined 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 combined 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 Supreme China, whether directly or indirectly through subsidiaries, and in respect of which the Supreme Group has not agreed any additional terms with the holders of those interests which would result in Supreme 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 Supreme China. Minority interests in the results of the Supreme Group are presented on the face of the consolidated combined income statements as an allocation of the total profit or loss for the Relevant Periods between minority interests and the equity shareholders of Supreme China.

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 Supreme 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 Supreme Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Supreme Group has been recovered.

c. Revenue Recognition

- i) Sales are recognised as revenue upon delivery of the products to customers.
- ii) Service income is recognised in the period when services are rendered.
- iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

d. Taxation

Taxation comprises current and deferred tax. The tax currently payable is based on the results for the period for financial reporting purposes adjusted for items which are not assessable or deductible.

e. Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

f. Staff Benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to Supreme China of non-monetary benefits are accrued in the Relevant Periods in which the associated services are rendered by employee of Supreme China. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the consolidated income statements as incurred.

g. Retirement Costs

Contributions paid to a defined contribution provident fund retirement scheme are based on a percentage of the employees' basic salaries and are charged to the consolidated income statements as they become payable. The assets of the scheme are generally held in separate trustee-administered funds.

h. Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payables under such operating leases are accounted for in the consolidated income statements on a straight-line basis over the periods of the respective lease.

i. Foreign Currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which Supreme China operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is Supreme China's functional and presentation currency. Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated income statements.

j. Property, Plant and Equipment

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

The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the reducing balance method at the following annual rates:—

Office equipment	25%
Shop equipment	25%
Shop furniture and fixtures	25%
Leasehold improvement	25%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their estimated useful lives to Supreme China.

The carrying amount of property, plant and equipment are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statements.

k. Investments

Investments are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The definition, recognition and measurement of the above categories, where applicable, are listed below.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statements as gains or losses from investment securities. Available-for-sale financial assets whose fair value cannot be reliably measured are stated at cost less impairment loss. Such impairment loss will be charged to consolidated income statements when arises.

l. Impairment

At each balance sheet date, the carrying amounts of assets are reviewed to determine if there is any indication of impairment on the value of assets. If the estimated recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is treated as an expense unless the asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that other accounting standard.

An impairment loss is reversed only if there has been a change in the estimate used to determine the recoverable amount of an asset. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss had been recognised in prior years. A reversal of impairment loss is treated as an income, unless the assets is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

Significant financial difficulty of the debtor, default or delinquency in payments, significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor, probability that the debtor will enter bankruptcy or other financial reorganisation, and prolonged decline in the fair value of an investment in an equity instrument below its cost are considered objective evidences of impairment.

m. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a weighed-average basis, comprises all costs of purchases, 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.

n. 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, 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.

o. Trade and Other Payables

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

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 cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements.

q. Related Parties

For the purpose of these financial statements, a party is considered to be related to Supreme China if:–

- (i) the party has the ability, directly or indirectly through one or more intermediates, to control Supreme China or exercise significant influence over Supreme China in making financial and operating policy decisions, or has joint control over Supreme China;
- (ii) Supreme China and the party are subject to common control;
- (iii) the party is an associated company of Supreme China or a joint venture in which Supreme China is a venturer;
- (iv) the party is a member of key management personnel of Supreme China or its 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 (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 Supreme Group or of any entity that is a related party of the Supreme Group.

r. Segment Reporting

A segment is a distinguishable component of the Supreme 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 Supreme Group's internal financial reporting system, the Supreme Group has chosen 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.

5. TURNOVER

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Turnover:			
Sales of cosmetics	70,610	85,225	73,556
Provision of treatment services	37,293	36,807	39,348
	<u>107,903</u>	<u>122,032</u>	<u>112,904</u>

6. OTHER REVENUE AND NET INCOME

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Other revenue:			
Bank interest income	70	65	24
Dividend income	75,000	–	–
Sundry income	44	175	90
	<u>75,114</u>	<u>240</u>	<u>114</u>
Other net income:			
Exchange gain	1	1	–
Gain on disposal of an associated company	234,290	–	–
Gain on disposal of available-for-sale financial assets	–	268,858	202,566
	<u>234,291</u>	<u>268,859</u>	<u>202,566</u>
	<u>309,405</u>	<u>269,099</u>	<u>202,680</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the followings:

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Audit fee	55	82	87
Cost of inventories sold	26,554	30,961	26,667
Depreciation	2,657	3,769	3,310
Loss on disposal of property, plant and equipment	55	–	387
Staff costs	19,486	23,511	22,879
Retirement costs	873	1,072	1,101
Operating lease rental in respect of premises	3,699	8,203	9,543
	<u>55,379</u>	<u>66,508</u>	<u>64,574</u>

8. DIRECTORS' REMUNERATION

The remuneration paid or payable to the directors was as follows:

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Fees	–	–	–
Salaries, allowances and benefits in kind	218	–	–
Performance related incentive payments	–	–	–
Employee share option benefits	–	–	–
Contributions to retirement benefit scheme	–	–	–
	<u>218</u>	<u>–</u>	<u>–</u>

During the Relevant Periods, Mr Leung Hung Fai is the sole director of Supreme China.

During the Relevant Periods, no remuneration was paid by Supreme Group to the director as an inducement to join or upon joining Supreme China or as compensation for loss of office. The sole director has not waived any remuneration during the Relevant Periods.

9. TAXATION

Hong Kong profits tax has been provided at an rate on the estimated assessable profits for the year (2007: 17.5%, 2008: 17.5%, 2009: 16.5%).

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Current tax – Hong Kong profits tax			
Provision for the year	<u>2,074</u>	<u>–</u>	<u>32</u>

Reconciliation between accounting profit and tax expenses at applicable tax rates is as follows:

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Profit before taxation	<u>349,894</u>	<u>309,394</u>	<u>237,381</u>
Taxation at the applicable tax rates (2007: 17.5%, 2008: 17.5%, 2009: 16.5%)	61,231	54,144	39,168
Non-assessable income	(59,341)	(54,628)	(39,363)
Non-deductible expenses	11	1	–
Unrecognised temporary differences	173	452	258
Tax losses of which no deferred income tax asset was recognised	–	31	–
Utilisation of tax loss	–	–	(31)
	<u>2,074</u>	<u>–</u>	<u>32</u>

No provision for deferred taxation has been made as, in the opinion of the directors, the effect of all the temporary differences would not be significant or the temporary differences are not expected to crystallise in the foreseeable future.

10. SEGMENT REPORTING

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

Business segments

Supreme Group is engaged in retailing of cosmetics and provision of beauty treatment services, which can be divided into two different business segments: (1) Products and (2) Treatment. An analysis of Supreme Group's results of operations and financial positions by business segments is as follows:

	Products			Treatment			Consolidated		
	Year ended 31 March			Year ended 31 March			Year ended 31 March		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	70,610	85,225	73,556	37,293	36,807	39,348	107,903	122,032	112,904
Segment results	30,229	36,844	31,086	10,364	3,571	3,683	40,593	40,415	34,769
Unallocated operating income and expenses							309,301	268,979	202,612
Profit before taxation							349,894	309,394	237,381
Income tax							(2,074)	–	(32)
Profit for the year							347,820	309,394	237,349
Depreciation	1,611	2,503	2,674	1,068	1,212	979			
Loss on disposal of property, plant and equipment	–	–	–	55	–	387			
	Products			Treatment			Consolidated		
	As at 31 March			As at 31 March			As at 31 March		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	4,133	3,463	4,541	10,158	7,979	6,207	14,291	11,442	10,748
Unallocated assets							12,331	282,771	9,952
Total assets							26,622	294,213	20,700
Segment liabilities	2,966	1,945	5,286	12,768	15,258	16,656	15,734	17,203	21,942
Unallocated liabilities							5,282	11,821	1,255
Total liabilities							21,016	29,024	23,197
Capital expenditure	5,293	1,444	–	1,389	727	4	6,682	2,171	4
Unallocated capital expenditure							91	57	640
							6,773	2,228	644

Geographical segments

Supreme Group operates in two main geographical areas which can be divided into two different geographical segments: (1) Hong Kong and (2) Macau.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of Supreme Group. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong			Macau		
	2007	2008	2009	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	103,385	117,366	110,090	4,518	4,666	2,814
Segment results	346,621	308,013	236,224	1,199	1,381	1,125
Segment assets	26,126	293,803	20,531	496	410	169
Capital expenditure	5,444	1,525	644	1,329	703	–

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Office equipment HK\$'000	Shop equipment HK\$'000	Shop furniture and fixtures HK\$'000	Total HK\$'000
Cost					
Balance as at 31 March 2006	4,450	124	4,110	345	9,029
Additions	5,293	91	1,329	60	6,773
Disposals	(146)	–	–	–	(146)
Balance as at 31 March 2007	9,597	215	5,439	405	15,656
Additions	1,444	57	703	24	2,228
Balance as at 31 March 2008	11,041	272	6,142	429	17,884
Additions	–	4	640	–	644
Disposals	(722)	–	–	–	(722)
Balance as at 31 March 2009	10,319	276	6,782	429	17,806
Accumulated depreciation					
Balance as at 31 March 2006	1,539	70	2,223	165	3,997
Charge for the year 2006/07	1,556	33	984	84	2,657
Written back on disposal	(91)	–	–	–	(91)
Balance as at 31 March 2007	3,004	103	3,207	249	6,563
Charge for the year 2007/08	2,503	54	1,119	93	3,769
Balance as at 31 March 2008	5,507	157	4,326	342	10,332
Charge for the year 2008/09	2,287	44	936	43	3,310
Written back on disposal	(335)	–	–	–	(335)
Balance as at 31 March 2009	7,459	201	5,262	385	13,307
Net book value as at 31 March 2007	6,593	112	2,232	156	9,093
Net book value as at 31 March 2008	5,534	115	1,816	87	7,552
Net book value as at 31 March 2009	2,860	75	1,520	44	4,499

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Balance b/f	780	5,980	274,838
Reclassifications from investment in an associated company	5,200	–	–
Additions	–	274,058	–
Disposals	–	(5,200)	(274,292)
Balance c/f	5,980	274,838	546

Available-for-sale financial assets include the following:

Unlisted equity securities, at cost	5,200	274,058	–
Investment funds, at market value	780	780	546
	5,980	274,838	546

Unlisted equity securities

During the year ended 31 March 2007, Supreme Group sold 17% of the shareholding in an associated company at a consideration of HK\$241,090,000. After the transaction, Supreme Group's shareholding in the associated company reduced to 13%. The investment in an associated company was reclassified as an available-for-sale financial asset since then.

During the year ended 31 March 2008, Supreme Group sold all of its 13% interests in the investee company at a consideration of HK\$274,058,000 in form of 13,936,390 ordinary shares of HK\$0.1 each of Bio Beauty Group Ltd. ("Bio Beauty"), representing 15.34% of the existing ordinary shares of Bio Beauty.

During the year ended 31 March 2009, Supreme Group sold all of its interests in Bio Beauty to Global Green Tech Group Limited and an independent third party at HK\$265,343,000 and HK\$211,281,000 respectively. Since then, Supreme Group had no further unlisted equity securities in any other companies.

Investment funds

During the year ended 31 March 2009, Supreme Group sold certain of the investment funds in view of the upturn of the fund market.

13. INVENTORIES

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cosmetics	1,309	1,295	3,101

14. AMOUNT DUE FROM A DIRECTOR

Detail of amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

2009

Name of director	Balance at end of year HK\$'000	Balance at beginning of year HK\$'000	Maximum outstanding balance during the year HK\$'000
Leung Hung Fai	582	–	582

The amount was unsecured, non interest bearing and repayable on demand. No provision for non repayment has been made in the financial statements.

15. BORROWINGS

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Bank loan, unsecured	–	2,518	–

16. AMOUNT DUE TO A RELATED COMPANY AND A DIRECTOR

The amounts due to a related company and a director represent balances arising from normal business transactions. These balances are unsecured, non-interest bearing and repayable either on demand or within 12 months after the balance sheet date.

17. ISSUED CAPITAL

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Authorised			
50,000 ordinary shares of US\$1 each	390	390	390
Issued and fully paid			
1 ordinary share of US\$1 each	1	1	1

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share.

18. INVESTMENT IN A SUBSIDIARY

	As at 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	8,309	8,309	8,309

Particulars of the subsidiary are:-

Cristal Marketing Management Company Limited

- a) Place of incorporation : Hong Kong
- b) Equity : 100%
- c) Principal activities : Retailing of cosmetics and provision of treatment services

19. OPERATING LEASE COMMITMENTS

At each of the balance sheet dates, the significant total future operating leasing expenses for land and buildings are payable as follows:

	As at 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Within one year	3,581	10,264	6,441
In the second to fifth years inclusive	1,142	6,449	2,705
	4,723	16,713	9,146

20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, Supreme China entered into significant related party transactions as follows:-

Name of company	Nature	As at 31 March		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
Global Cosmetics (HK) Company Limited (Related company)	Purchase	9,977	12,368	26,793

21. CAPITAL MANAGEMENT

Supreme China's equity capital management objectives are to safeguard Supreme China's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with level of risk. To meet these objectives, Supreme China manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

Supreme China's equity capital management strategy was to maintain a stable proportion in total debts and equity capital. Supreme China monitors equity capital on the basis of the net debt-to-adjusted capital ratio, which is calculated as net debt over adjusted capital. Net debt is calculated as total debt (which includes trade and other payables, borrowings and derivative financial instruments) plus unaccrued proposed dividends, less time deposits with a maturity period of three months or less, cash and bank balances. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The net debt-to-adjusted capital ratios are as follows:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total debts	19,265	29,899	23,197
Cash and bank balances	(3,025)	(1,371)	(2,628)
Net debts	<u>16,240</u>	<u>28,528</u>	<u>20,569</u>
Total equity and adjusted capital	<u>5,606</u>	<u>264,314</u>	<u>(2,497)</u>
Net debt-to-adjusted capital ratio	<u>2.90</u>	<u>0.11</u>	<u>N/A</u>

22. CREDIT RISKS

Credit risks are primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Normally, Supreme China does not obtain collateral from customers.

The maximum exposure to credit risks without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due but not impaired:			
Within 6 months	3,997	2,705	3,207
Between 6 and 12 months	4	5	—
	<u>4,001</u>	<u>2,710</u>	<u>3,207</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with Supreme China. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Supreme China does not hold any collateral over these balances.

23. LIQUIDITY RISKS

Policies are established to regularly monitor current and expected liquidity requirements and its compliance with lending covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the shorter and longer term.

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

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Total amounts of contractual undiscounted obligations:			
Trade creditors and sundry payables	1,299	1,384	1,255
Borrowings	–	3,393	–
Amount due to a related company	2,966	1,945	5,286
Amount due to a director	2,232	7,919	–
	<u>6,497</u>	<u>14,641</u>	<u>6,541</u>
Due for payment:			
Within one year	<u>6,497</u>	<u>14,641</u>	<u>6,541</u>

24. CURRENCY RISKS

Currency risks are the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

As Supreme China has no significant financial assets or liabilities denominated in foreign currencies, Supreme China's income and operating cash flows are substantially independent of changes in exchange rates.

25. INTEREST RATE RISKS

Interest rate risks are the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

As Supreme China has no significant interest-bearing assets or liabilities, Supreme China's income and operating cash flows are substantially independent of changes in market interest rates.

26. MARKET PRICE RISKS

Market price risks are the risk that the fair value or future cash flows of financial instruments traded in the market will fluctuate because of changes in market prices.

As Supreme China has no significant equity investments, Supreme China's profit after taxation, retained profit and other components of equity are substantially independent of changes in market prices.

27. PLEDGE OF ASSETS

Supreme China's investment fund with carrying value of HK\$546,330 (2007: HK\$ 780,330, 2008: HK\$780,330) is pledged to a bank to secure general banking facilities granted to Supreme China.

28. HOLDING COMPANY

In the opinion of the directors, the holding company is Title Best Limited which was incorporated in the BVI.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Supreme Group or any of the companies within the Supreme Group in respect of any period subsequent to 31 March 2009.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**1. UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP***(a) Introduction*

The unaudited pro forma balance sheet of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of the entire equity interest in Supreme China Limited (“Supreme China”) and its subsidiary (“Acquisition”).

The unaudited pro forma balance sheet of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition had taken place on 31 December 2008.

The unaudited pro forma balance sheet of the Enlarged Group is based upon the audited consolidated balance sheet of the Group as at 31 December 2008, which has been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2008 set out in Appendix I to this circular and the audited consolidated balance sheet of Supreme China Limited as at 31 March 2009 as extracted from the accountants’ report as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction and (ii) factually supportable.

The unaudited pro forma balance sheet of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma balance sheet of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2008. The unaudited pro forma balance sheet of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

The unaudited pro forma balance sheet of the Enlarged Group should be read in conjunction with the historical information of the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2008 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

The unaudited pro forma balance sheet of the Enlarged Group has been prepared by the directors for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
(b) Unaudited pro forma balance sheet

				Pro forma adjustments		
	The Group as at 31 December 2008 HK\$'000 Note (a)	Supreme China Limited as at 31 March 2009 HK\$'000 Note (b)	Sub-total HK\$'000	The completion of proposed Acquisition in Supreme China Limited HK\$'000 Note (c)	Notes	Pro forma Enlarged Group HK\$'000
NON-CURRENT ASSETS						
Goodwill	645,566	–	645,566	322,497	d(iii)	968,063
Property, plant and equipment	1,484,614	4,499	1,489,113			1,489,113
Investment properties	25,181	–	25,181			25,181
Prepaid lease payments for land under operating leases	178,602	–	178,602			178,602
Intangible assets	36,655	–	36,655			36,655
Available-for-sale financial assets	–	546	546			546
Deposits for acquisition of property, plant and equipment	175,624	–	175,624			175,624
Other deposits and club debenture	170	–	170			170
	<u>2,546,412</u>	<u>5,045</u>	<u>2,551,457</u>			<u>2,873,954</u>
CURRENT ASSETS						
Prepaid lease payments for land under operating leases	3,117	–	3,117			3,117
Financial assets at fair value through profit or loss	29,995	–	29,995			29,995
Inventories	94,880	3,101	97,981			97,981
Trade and other receivables	240,492	7,302	247,794	(5,286)	d(iv)	242,508
Loan receivables	63,142	–	63,142			63,142
Amount due from a director	–	582	582	(582)	d(i)	–
Tax recoverable	–	2,042	2,042			2,042
Fixed bank deposits	5,000	–	5,000			5,000
Cash and cash equivalents	187,919	2,628	190,547	(159,418)	d(i)	31,129
	<u>624,545</u>	<u>15,655</u>	<u>640,200</u>			<u>474,914</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

(b) *Unaudited pro forma balance sheet (Continued)*

				Pro forma adjustments		
	The Group as at 31 December 2008 HK\$'000 Note (a)	Supreme China Limited as at 31 March 2009 HK\$'000 Note (b)	Sub-total HK\$'000	The completion of proposed Acquisition in Supreme China Limited HK\$'000 Note (c)	Notes	Pro forma Enlarged Group HK\$'000
CURRENT LIABILITIES						
Trade and other payables	(81,501)	(17,911)	(99,412)			(99,412)
Current portion of convertible preference shares	(199,431)	–	(199,431)			(199,431)
Current portion of long-term bank loans	(180,000)	–	(180,000)			(180,000)
Current portion of obligations under finance leases	(32)	–	(32)			(32)
Amount due to a related company	–	(5,286)	(5,286)	5,286	d(iv)	–
Tax payable	(21,820)	–	(21,820)			(21,820)
	(482,784)	(23,197)	(505,981)			(500,695)
Net current assets / (liabilities)	141,761	(7,542)	134,219			(25,781)
Total assets less current liabilities	2,688,173	(2,497)	2,685,676			2,848,173
NON-CURRENT LIABILITIES						
Convertible bonds	–	–	–	(77,493)	d(i)	(77,493)
Obligations under finance leases	(5)	–	(5)			(5)
Deferred tax liabilities	(1,106)	–	(1,106)			(1,106)
	(1,111)	–	(1,111)			(78,604)
NET ASSETS / (LIABILITIES)	2,687,062	(2,497)	2,684,565			2,769,569
CAPITAL AND RESERVES						
Share capital	133,321	1	133,322	(1)	d(ii)	133,321
Convertible bonds equity reserves	–	–	–	82,507	d(i)	82,507
Reserves	2,486,887	(2,498)	2,484,389	2,498	d(ii)	2,486,887
Total equity attributable to equity holders of the Company	2,620,208	(2,497)	2,617,711			2,702,715
Minority interests	66,854	–	66,854			66,854
TOTAL EQUITY	2,687,062	(2,497)	2,684,565			2,769,569

Notes:

- (a) Figures extracted from 2008 annual report of the Company.
- (b) Figures extracted from consolidated financial statements of Supreme China Limited as set out in Appendix II to this circular after reclassification of certain accounts to align the presentation with that of the Group.
- (c) The adjustments are made assuming: (1) the carrying amounts of the assets and liabilities of Supreme China Limited as at 31 March 2009 approximate their then fair value; (2) no material intangible assets are identified in the business of Supreme China Limited to be acquired; and (3) the transaction costs involved are insignificant.
- (d) The adjustments in connection with the acquisition of the entire equity interest in Supreme China Limited represent:
 - (i) (1) HK\$160,000,000 consideration of which HK\$159,418,000 was satisfied by the internal resources of the Company (cash and cash equivalents) as at 31 December 2008 and the remaining HK\$582,000 by setting off the amount due from a director of Supreme China. The said director is also a shareholder of the vendor; (2) the issuance of convertible bonds of principal amount of HK\$160,000,000 by the Company with the same fair value of HK\$160,000,000 as at 31 December 2008. Upon the application of Hong Kong Accounting Standard 32 Financial Instruments: Presentation (“HKAS 32”), the convertible bonds is split between the liability and equity elements, amounting to HK\$77,493,000 and HK\$82,507,000 respectively. The liability and equity elements of the convertible bonds are measured at fair value and the valuation is determined by BMI Appraisals Limited, an independent firm of professional valuers, the business address of which is Suite 11-18, 31st Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong in accordance with generally accepted pricing models;
 - (ii) elimination of share capital and pre-acquisition reserves of Supreme China Limited and its subsidiary as at 31 March 2009, amounting to HK\$1,000 and HK\$2,498,000 respectively;
 - (iii) The Group will apply the purchase method to account for the acquisition of Supreme China Limited. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Supreme China Limited and its subsidiaries will be recorded at fair values at the date of completion. A goodwill of HK\$322,497,000, representing the excess of the consideration for the net identifiable net assets being acquired. The Group will engage independent professional valuer to assess the fair value of the identifiable assets, liabilities and contingent liabilities of Supreme China Limited and its subsidiary at the date of completion for the purpose of the preparation of the consolidated financial statements of the Company; and
 - (iv) elimination of inter-company balances as Supreme China Limited becomes a subsidiary within the Group upon the completion of the Acquisition.

**2. UNAUDITED PRO FORMA INCOME STATEMENT AND UNAUDITED PRO FORMA
CASH FLOW STATEMENT OF THE ENLARGED GROUP***(a) Introduction*

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Enlarged Group have been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Enlarged Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition had taken place on 1 January 2008.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Enlarged Group are based upon the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31 December 2008, which have been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2008 set out in Appendix I to this circular and the audited consolidated income statement and audited consolidated cash flow statement of Supreme China Limited for the year ended 31 March 2009 as extracted from the accountants' report as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction and (ii) factually supportable.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Enlarged Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma income statement and unaudited pro forma cash flow statement of the Enlarged Group do not purport to describe the actual results and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on 1 January 2008 or to predict the future results and cash flows of the Enlarged Group.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Enlarged Group should be read in conjunction with the historical information of the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2008 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Enlarged Group have been prepared by the directors for illustrative purposes only and because of their nature, they may not give a true picture of results and cash flows of the Enlarged Group had the Acquisition actually occurred at the beginning of the year ended 31 December 2008 or for any future period.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
(b) Unaudited pro forma income statement

				Pro forma adjustments		
	The Group for the year ended 31 December 2008 HK\$'000 Note (a)	Supreme China Limited for the year ended 31 March 2009 HK\$'000 Note (b)	Sub-total HK\$'000	The completion of proposed Acquisition in Supreme China Limited HK\$'000 Note (c)	Notes	Pro forma Enlarged Group HK\$'000
Turnover	1,339,707	112,904	1,452,611	(26,793)	c(ii)	1,425,818
Cost of sales	(846,911)	(26,667)	(873,578)	26,793	c(ii)	(846,785)
Gross profit	492,796	86,237	579,033			579,033
Other revenue and net income	160,531	202,680	363,211			363,211
Selling and distribution expenses	(100,267)	(25,242)	(125,509)			(125,509)
General and administrative expenses	(404,408)	(26,242)	(430,650)			(430,650)
Profit from operations	148,652	237,433	386,085			386,085
Finance costs	(63,592)	(52)	(63,644)	(21,663)	c(i)	(85,307)
Profit before taxation	85,060	237,381	322,441			300,778
Income tax	(51,495)	(32)	(51,527)			(51,527)
Profit for the year	<u>33,565</u>	<u>237,349</u>	<u>270,914</u>			<u>249,251</u>
Attributable to:						
Equity holders of the Company	8,187	237,349	245,536	(21,663) 25,378 (4,828)	c(i) c(iii) c(iv)	244,423
Minority interests	25,378	–	25,378	(25,378) 4,828	c(iii) c(iv)	4,828
Profit for the year	<u>33,565</u>	<u>237,349</u>	<u>270,914</u>			<u>249,251</u>

Notes:

- (a) Figures extracted from 2008 annual report of the Company.
- (b) Figures extracted from consolidated financial statements of Supreme China Limited as set out in Appendix II to this circular after reclassification of certain accounts to align the presentation with that of the Group.
- (c) The adjustments represent:
 - (i) the yearly imputed interest expenses of 13.5391% per annum on the convertible bonds issued for the Acquisition of the entire issued share capital of Supreme China Limited, which are to be expensed in the consolidated income statement of the Enlarged Group by assuming that the convertible bonds had been issued at the beginning of the year ended 31 December 2008 and assuming the fair value of the liability component of the convertible bonds at 1 January 2008 is approximately the same as the fair value as at 31 December 2008;
 - (ii) the elimination of inter-company sales and purchases between the Group and Supreme China Limited upon completion of the Acquisition as at 1 January 2008;
 - (iii) the elimination of minority interests between the Group and Supreme China Limited upon completion of the Acquisition as at 1 January 2008. Such adjustment is made as the subsidiary of Supreme China Limited was the minority shareholder of the Group as at 1 January 2008; and
 - (iv) the recognition of minority interests arising from disposal of interests in a subsidiary during the year.
- (d) For the purpose of the unaudited pro forma financial information, the adjustment in note c(i) will have a continuing effect on the financial statements of the Enlarged Group before the full conversion of the convertible bonds.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
(c) Unaudited pro forma cash flow statement

				Pro forma adjustments		
	The Group for the year ended 31 December 2008 <i>HK\$'000</i> <i>Note (a)</i>	Supreme China Limited for the year ended 31 March 2009 <i>HK\$'000</i> <i>Note (b)</i>	Sub-total <i>HK\$'000</i>	The completion of proposed Acquisition in Supreme China Limited <i>HK\$'000</i> <i>Note (c)</i>	Notes	Pro forma Enlarged Group <i>HK\$'000</i>
Operating activities						
Profit before taxation	85,060	237,381	322,441	(21,663)	c(i)	300,778
Adjustments for:						
Depreciation	84,542	3,310	87,852			87,852
Amortisation						
– Prepaid lease payments for land under operating leases	3,117	–	3,117			3,117
– Intangible assets	7,436	–	7,436			7,436
Interest income	(8,947)	(24)	(8,971)			(8,971)
Gain on disposal of available-for-sale financial assets	–	(202,566)	(202,566)			(202,566)
Loss on disposal of property, plant and equipment	167	387	554			554
Valuation loss on financial assets at fair value through profit or loss	167,986	–	167,986			167,986
Write-down of inventories	73,685	–	73,685			73,685
Impairment loss on trade and other receivables	41,220	–	41,220			41,220
Write off of bad debts	20	–	20			20
Write back of impairment loss on trade receivables	(731)	–	(731)			(731)
Equity settled share-based payments expenses	37,596	–	37,596			37,596
Other borrowing costs	150	–	150			150
Interest element of finance lease rentals	4	–	4			4
Interest expense on bank advances and other borrowings	63,438	–	63,438	21,663	c(ii)	85,101
Effect of foreign exchange rate changes	(59,131)	–	(59,131)			(59,131)

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

(c) *Unaudited pro forma cash flow statement (Continued)*

				Pro forma adjustments		
	The Group for the year ended 31 December 2008 HK\$'000 Note (a)	Supreme China Limited for the year ended 31 March 2009 HK\$'000 Note (b)	Sub-total HK\$'000	The completion of proposed Acquisition in Supreme China Limited HK\$'000 Note (c)	Notes	Pro forma Enlarged Group HK\$'000
Operating cash flows before changes in working capital	495,612	38,488	534,100	–		534,100
Decrease in financial assets at fair value through profit or loss	805	–	805			805
Increase in inventories	(115,793)	(1,806)	(117,599)			(117,599)
Increase in trade and other receivables	(118,175)	(219)	(118,394)	(8,501)	c(v)	(126,895)
Decrease in loan receivables	122,295	–	122,295			122,295
(Decrease)/Increase in trade and other payables	(89,655)	1,269	(88,386)			(88,386)
Increase in amount due to a related company	–	3,341	3,341			3,341
Increase in amount due from a director	–	(8,501)	(8,501)	8,501	c(v)	–
Cash generated from operations	295,089	32,572	327,661	–		327,661
Tax paid						
Hong Kong profits tax paid	(1,511)	–	(1,511)			(1,511)
Overseas income tax paid	(53,077)	–	(53,077)			(53,077)
Net cash generated from operating activities	240,501	32,572	273,073	–		273,073
Investing activities				496	c(iii)	
Cash paid for acquisition of subsidiary	–	–	–	(159,418)	c(iii)	(158,922)
Acquisition of additional interest in a subsidiary	(265,343)	–	(265,343)	265,343	c(vi)	–
Purchases of property, plant and equipment	(411,410)	(644)	(412,054)			(412,054)
Proceeds from disposal of property, plant and equipment	8	–	8			8
Proceeds from disposal of available-for-sale financial assets	–	476,858	476,858	(265,343)	c(vi)	211,515
Interest received	8,947	24	8,971			8,971
Decrease in fixed bank deposits	37,733	–	37,733			37,733

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

(c) *Unaudited pro forma cash flow statement (Continued)*

				Pro forma adjustments		
	The Group for the year ended 31 December 2008 <i>HK\$'000</i> <i>Note (a)</i>	Supreme China Limited for the year ended 31 March 2009 <i>HK\$'000</i> <i>Note (b)</i>	Sub-total <i>HK\$'000</i>	The completion of proposed Acquisition in Supreme China Limited <i>HK\$'000</i> <i>Note (c)</i>	Notes	Pro forma Enlarged Group <i>HK\$'000</i>
Net cash (used in)/generated from investing activities	(630,065)	476,238	(153,827)	(158,922)		(312,749)
Financing activities						
Payment for repurchase of shares	(1,702)	–	(1,702)			(1,702)
Repayment of short-term bank loans	–	(2,518)	(2,518)			(2,518)
Repayment of long-term bank loans	(60,000)	–	(60,000)			(60,000)
Proceeds from exercise of warrants	61,084	–	61,084			61,084
Proceeds from exercise of share options	114,923	–	114,923			114,923
Dividends paid	–	(504,160)	(504,160)			(504,160)
Capital element of finance lease rentals paid	(36)	–	(36)			(36)
Interest element of finance lease rentals paid	(4)	–	(4)			(4)
Interest paid on bank advances and other borrowings	(17,205)	–	(17,205)			(17,205)
Interest paid on convertible bonds	–	–	–	(12,800)	c(iv)	(12,800)
Other borrowing costs paid	(150)	–	(150)			(150)
Net cash generated from/(used in) financing activities	96,910	(506,678)	(409,768)	(12,800)		(422,568)
Net (decrease)/increase in cash and cash equivalents	(292,654)	2,132	(290,522)	(171,722)		(462,244)
Cash and cash equivalents at the beginning of the year	472,989	496	473,485	(496)	c(iii)	472,989
Effect of foreign exchange rate changes	7,584	–	7,584			7,584
Cash and cash equivalents at the end of the year	187,919	2,628	190,547	(172,218)		18,329

Notes:

- (a) Figures extracted from 2008 annual report of the Company.
- (b) Figures extracted from consolidated financial statements of Supreme China Limited as set out in Appendix II to this circular after reclassification of certain accounts to align the presentation with that of the Group.
- (c) The adjustments represent:
 - (i) the yearly imputed interest expenses on the convertible bonds issued for the Acquisition of the entire issued share capital of Supreme China Limited, which are to be incurred by the Enlarged Group by assuming that the convertible bonds had been issued at the beginning of the year ended 31 December 2008;
 - (ii) the reversal of yearly imputed interest expenses on the convertible bonds issued for the Acquisition of the entire issued share capital of Supreme China Limited, which are to be incurred by the Enlarged Group by assuming that the convertible bonds had been issued at the beginning of the year ended 31 December 2008;
 - (iii) the true up of the net cash outflow from the acquisition of the entire equity interest in Supreme China Limited and its subsidiary of HK\$158,922,000, resulting from the net cash consideration of HK\$159,418,000 for the Acquisition and the cash and cash equivalents of Supreme China Limited of HK\$496,000 as at 1 January 2008;
 - (iv) interest payment on 8% coupon on the convertible bonds for the acquisition of the entire equity interest in Supreme China Limited and its subsidiary as of 1 January 2008 of HK\$12,800,000;
 - (v) the underlying amount due from a director represents the outstanding balance due from the director of Supreme China Limited whom is not the director of the Group, as a result, the concerned movement is wholly reclassified as trade and other receivables upon the completion of the Acquisition; and
 - (vi) the elimination of consideration of share transfer between the Group and a subsidiary of Supreme China Limited.
- (d) For the purpose of the unaudited pro forma financial information, the adjustments in note c(i), c(ii) and c(iv) will have a continuing effect on the financial statements of the Enlarged Group before the full conversion of the convertible bonds.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP**

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

12 June 2009

The Board of Directors
Global Green Tech Group Limited
Room 3401-08, 34th Floor, Office Tower
Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of Global Green Tech Group Limited (“Company”) and its subsidiaries (hereafter collectively referred to as “Group”), in connection with the proposed acquisition of the entire issued share capital of Supreme China Limited (the “Acquisition”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented, for inclusion in Appendix III of the circular dated 12 June 2009 (“Circular”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-11 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2008 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2008 or any future period.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

HOPKINS CPA LIMITED
Certified Public Accountants

Albert Man-Sum Lam
Practising certificate number – P02080

Hong Kong

The following is the full text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation of the market value as at 30 April 2009 of the 100% equity interest in Cristal Marketing.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室

Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863

Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

12 June 2009

The Directors

Global Green Tech Group Limited

Room 3401-08, 34/F, Office Tower

Convention Plaza

No.1 Harbour Road

Wan Chai

Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Global Green Tech Group Limited (referred to as the “Company”) for us to provide our opinion on the market value of the 100% equity interest in Cristal Marketing Management Company Limited (referred to as “Cristal Marketing”) as at 30 April 2009.

This report describes the background of Cristal Marketing, a brief industry overview, the basis of valuation & assumptions, explains the valuation methodology utilized and presents our conclusion of value.

BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as “*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*”.

BACKGROUND OF CRISTAL MARKETING

Cristal Marketing is a limited company in Hong Kong. It was established in 2001 and is now a sole distributor of products of Global Cosmetics (HK) Company Limited in Hong Kong, Macau, Taiwan and certain regions of the Mainland China. Cristal Marketing is engaged in retailing of cosmetics and skincare products and provision of spa services, facial treatments and body treatments to customers under the brand Marjorie Bertagne.

COSMETICS AND BEAUTY TREATMENT INDUSTRY OVERVIEW

According to the Austrade of the Australian government, Hong Kong, mainland China, Taiwan, Korea and Japan are the five major cosmetic and toiletry markets in the North East Asia and the expected output value of the industry will reach more than HK\$10 billion in 2010.

Major retail channels include department stores, shopping malls, beauty specialty shops, chain pharmacies, personal care stores, chain supermarkets and concept stores. Beauty specialty shops, e.g. Bonjour and Water Oasis, sell high-end cosmetics products and also provide body and skin treatment services. Sales of such beauty specialty shops have boosted drastically for the past few years due to the introduction of the Individual Visit Scheme and the concomitant surge in local cosmetics sales.

The Individual Visit Scheme was implemented by the Chinese Government to Hong Kong in July 2003, allowing Mainland Chinese to visit Hong Kong without having to join tour groups. This scheme has substantially increased the number of mainland Chinese visitors. Majority of the tourists will do shopping in Hong Kong and cosmetic and toiletry products are among their top 3 shopping purchases. It is expected that the cosmetic and toiletry industry will continue its growth as more cities in mainland China implement the Individual Visit Scheme.

SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with financial and operational data related to Cristal Marketing, which were given by the senior management of the Company.

The valuation of Cristal Marketing required consideration of all pertinent factors affecting the economic benefits of Cristal Marketing and its abilities to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The business nature of Cristal Marketing;
- The financial and operational information of Cristal Marketing;
- The specific economic environment and competition for the market in which Cristal Marketing operates or will operate;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of Cristal Marketing, including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuation work, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Obtained all relevant financial and operational information of Cristal Marketing;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information of Cristal Marketing, which were provided by the senior management of the Company;
- Prepared a business financial model to derive the indicated value of Cristal Marketing; and
- Presented all relevant information on the background of Cristal Marketing, valuation methodology, source of information, scope of works, major assumptions, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Given the changing environment in which Cristal Marketing operates or will operate, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of Cristal Marketing. The major assumptions adopted in our valuation were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where Cristal Marketing operates or will operate;
- There will be no major changes in the current taxation law in the jurisdiction where Cristal Marketing operate or will operate, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- The financial information in respect of Cristal Marketing has been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company;
- Exchange rates and interest rates will not differ materially from those presently prevailing; and
- Economic conditions will not deviate significantly from economic forecasts.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the Entities. They are the market approach, the cost approach and the income approach.

The *market approach* provides indications of value by comparing the subject to similar businesses, business ownership interests, and securities that have been sold in the market.

The *cost approach* provides indications of value by studying the amounts required to recreate the business for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the business.

The *income approach* is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar business with a similar risk profile.

We have considered that the *income approach* is not appropriate to value Cristal Marketing, as there are insufficient historical and forecasted financial data of Cristal Marketing. The *cost approach* is also regarded inadequate in this valuation, as this approach does not take future growth potential of Cristal Marketing into consideration. Thus, we have determined that the *market approach* is the most appropriate valuation approach for the valuation. This valuation approach complies to the Valuation Standards on Traded-Related Business Assets and Business Enterprises issued by the Hong Kong Institution of Surveyors (“HKIS”), which is an internationally recognised standard.

During the valuation, we have selected several listed companies that had similar business operations as Cristal Marketing and determined their price multiples including “enterprise value to sales”, “price to earnings” and “price to book value” based on data extracted from Bloomberg. Then we have applied those price multiples to the related financial data of Cristal Marketing and determined our concluded value of Cristal Marketing.

We considered that comparing with the other selected multiples, the price to earnings multiple can better present the market value of Cristal Marketing with reference to its business operation. Cristal Marketing’s earnings (referred to as the “Adjusted Earnings”) in our valuation are adjusted to eliminate non-recurring items in the income statement. The 100% equity interest of Cristal Marketing was calculated using the average price-to-earnings ratios of comparable companies times the Adjusted Earnings.

The details of the comparable companies for Cristal Marketing together with the price-to-earnings ratio used in our valuation are as follows:

<u>Company</u>	<u>Businesses</u>	<u>Price to Earnings</u>
Bonjour Holdings Limited (653 HK)	The company retails and wholesales brand name beauty and healthcare products. It also operates beauty and health salons in Hong Kong.	6.23
Sa Sa International Holdings (178 HK)	The company through its subsidiaries retails and wholesales cosmetics. It also provides beauty and health club services.	13.75
Water Oasis Group LTD (1161 HK)	The company distributes exclusively ~H2O+ brand skin-care products in Hong Kong, Macau, Taiwan and China. It also operates spa centers.	9.35
Natural Beauty Bio-Tech (157 HK)	The company researches and develops, manufactures and sells aroma therapeutic, beauty and skin care products, markets and distributes through a sales network in China. It also provides skin treatments and SPA services through its beauty centers offering tailor-made equipment by the professional beauticians.	8.14
Blu Spa Holdings Ltd (8176 HK)	The company through its subsidiaries, develops, promotes, and distributes a broad image range of botanical personal care products, treatments and services.	16.66
Average:		10.83

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company. In our valuation, 35% has been used as the discount for lack of marketability.

However, the 100% equity interest under consideration is the controlling interest of Cristal Marketing. Controlling interest in an asset means to have control of a large enough block of voting shares such that no one stock holder or coalition of stock holders can successfully oppose a motion. In most cases, a controlling interest is far more marketable than a minority interest and therefore offsets the liquidity problem of a privately held asset. In our valuation, 30% has been used as the premium for the controlling interest of Cristal Marketing.

Based on the financial information of Cristal Marketing provided by the senior management of the Company, the Adjusted Earnings of Cristal Marketing is HK\$34,814,350. As a result, the market value of Cristal Marketing is estimated as $\text{HK\$}34,814,350 \times 10.83 \times (1-35\%) \times (1+30\%) = \text{approximately HK\$}320,000,000$.

VALUATION COMMENTS

For the purpose of the valuation and in arriving at our opinion of value, we have referred to the information provided by the senior management of the Company to estimate the value of Cristal Marketing. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK\$) and no allowances have been made for any exchange transfers.

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, Cristal Marketing or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the 100% equity interest in the Cristal Marketing is **HK\$320,000,000 (HONG KONG DOLLARS THREE HUNDRED AND TWENTY MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, Cristal Marketing or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Marco T. C. Sze
B.Eng(Hon), PGD(Eng), MBA(Acct),
CFA, AICPA ABV
Director

Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ),
MHKIS, MCI Arb, AFA, SIFM, FCIM,
MASCE, MIET, MIEEE, MASME, MIE
Managing Director

Notes:

1. Mr. Marco Sze holds a Master's Degree of Business Administration in Accountancy from the City University of New York – Baruch College and is a holder of Chartered Financial Analyst. He is also a member of American Institute of Certified Public Accountants (AICPA) and is Accredited in Business Valuation by the AICPA. He has more than 3 years' experience in valuing similar assets or companies engaged in similar business activities as that of Cristal Marketing in Hong Kong, China and the Asia-Pacific Region.
2. Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 15 years' experience in valuing similar assets or companies engaged in similar business activities as that of the Cristal Marketing worldwide.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capitals of the Company of HK\$0.10 each as at the Latest Practicable Date were as follows :

<i>Authorised:</i>	<i>HK\$</i>
2,000,000,000 Shares	200,000,000.00
<i>Issued:</i>	
1,987,579,856 Shares	198,757,985.60
<i>To be issued upon exercise of the Conversion Rights in full at the initial Conversion Price of HK\$0.36:</i>	
444,444,444 Shares	44,444,444.00

A resolution to increase the authorised share capital of the Company from HK\$200,000,000 to HK\$600,000,000 by the creation of an additional 4,000,000,000 Shares will be proposed to the Shareholders for approval at the annual general meeting of the Company to be held at 10:00 a.m. on 29 June 2009.

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under section 344 of the SFO) or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Number of Shares/Underlying Shares held	
	Personal interests	Approximate percentage of interest
Mr. Lau Jin Wei, Jim	3,940,000	0.20%
Mr. Wong Ying Yin	912,336 <i>note (a)</i>	0.05%
Mr. Bang Young Bae	1,189,406 <i>note (b)</i>	0.06%

Notes:

- (a) The personal interest of Mr. Wong Ying Yin comprises of 912,336 underlying Shares in respect of share options granted by the Company to him.
- (b) The personal interest of Mr. Bang Young Bae comprises of 200,000 ordinary shares and 989,406 underlying shares in respect of share options granted by the Company to him.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under section 344 of the SFO) or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

- (a) As at the Latest Practicable Date, so far as is known to the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Company/name of Group member	Capacity	Number of ordinary shares	Approximate percentage of interest
Motivated Workforce Consultants Limited	The Company	Beneficial owner	476,406,976	23.97%

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

- (b) As at the Latest Practicable Date, so far as is known to the Directors, none of entities was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group:
- (c) Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

5. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

6. OTHER INTERESTS OF THE DIRECTORS AND THE EXPERTS

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group;
- (b) none of the Directors were materially interested in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Enlarged Group;

- (c) none of Hopkins CPA Limited and BMI Appraisals Limited had any direct or indirect interest in any assets which have, since 31 December 2008, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group;
- (d) none of Hopkins CPA Limited and BMI Appraisals Limited was beneficially interested in the share capital of any member of the Group nor had it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (e) none of the Director or proposed Director is a director or employee of the corporate shareholder of the Company whose interests in the Company are disclosed under the paragraph headed “Substantial Shareholders’ interest” in this appendix.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

- (a) an agreement dated 3 July 2007 entered into between Bio Beauty Group Ltd. (a subsidiary of the Company) as issuer, Macquarie Investment Holdings No. 2 Pty Limited as subscriber and the Company as guarantor in relation to the subscription of 91,500 convertible preference shares of Bio Beauty Group Ltd. with an aggregate par value of approximately US\$21,000,000;
- (b) an agreement dated 16 August 2007 entered into between Cristal Marketing as vendor, Global Chemical Investment Limited (a subsidiary of the Company) as purchaser and the Company with respect of the acquisition of 5,200,000 shares of HK\$1 each in Global Cosmetics (HK) Company Limited. The consideration for such acquisition is the transfer of 13,936,390 shares of HK\$0.10 each in Bio Beauty Group Inc. by the Company to Cristal Marketing;
- (c) a corporate placing agreement dated 2 November 2007 and entered into between Bio Beauty Group Ltd. (a subsidiary of the Company), Chow Tai Fook Nominee Limited and Macquarie Capital Securities Limited in relation to the acquisition of shares of Bio Beauty Group Ltd. by Chow Tai Fook Nominee Limited at an aggregate consideration of US\$10 million (which has not become unconditional and has lapsed according to its terms);

- (d) a corporate placing agreement dated 8 November 2007 and entered into between Bio Beauty Group Ltd. (a subsidiary of the Company), World Fund Pte. Limited and Macquarie Capital Securities Limited in relation to the acquisition of shares of Bio Beauty Group Ltd. by World Fund Pte. Limited at an aggregate consideration of US\$10 million (which has not become unconditional and has lapsed according to its terms);
- (e) an underwriting agreement dated 3 December 2007 relating to a public offer of the shares of Bio Beauty Group Ltd. entered into between, Bio Beauty Group Ltd. (a subsidiary of the Company), the Company, Cristal Marketing, Macquarie Securities Limited, ICEA Capital Limited, ICEA Securities Limited, BNP Paribas Capital (Asia Pacific) Limited, DBS Asia Capital Limited, Bocom International Holdings Company Limited, CAF Securities Company Limited and First Shanghai Securities Limited (which has not become unconditional and has lapsed according to its terms);
- (f) a agreement dated 11 September 2008 entered into between Cristal Marketing as vendor and the Company as purchaser with respect of the acquisition of 7,758,590 shares of HK\$0.1 each in Bio Beauty Group Ltd. at a consideration of HK\$265,343,778;
- (g) the underwriting agreement dated 20 January 2009 and entered into between the Company and Motivated Workforce Consultants Ltd and GOA Securities Limited in relation to the underwriting of the issue of 644,620,488 new Shares at a price of HK\$0.25 per new Share by way of open offer to the qualifying Shareholders; and
- (h) the SP Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or, advice contained in this circular:

Name	Qualification
Hopkins CPA Limited	Certified Public Accountants
BMI Appraisals Limited	Professional Valuer

Each of Hopkins CPA Limited and BMI Appraisals Limited has given and has not withdrawn its written consent as to the issue of this circular with the inclusion herein of its opinions, or letters or reports and/or reference to its names, opinions, letters or reports in the form and context in which they respectively appear.

10. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company in Hong Kong at Room 3401-08, 34th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong during normal business hours from 12 June 2009 up to and including 26 June 2009 and at the EGM:

- (1) the memorandum of association and the articles of association of the Company;
- (2) the annual reports of the Group for the two financial years ended 31 December 2008;
- (3) the accountants' report on the Target Group prepared by Hopkins CPA Limited as set out in Appendix II to this circular;
- (4) the report issued by Hopkins CPA Limited in connection with the pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;
- (5) the valuation report issued by BMI Appraisals Limited as set out in Appendix IV to this circular;
- (6) copies of the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (7) the written consents of Hopkins CPA Limited and BMI Appraisals Limited referred to in the paragraph headed "Experts and consents" in this Appendix;
- (8) the circular of the Company dated 26 September 2008 in relation to the agreement dated 11 September 2008 entered into between Cristal Marketing as vendor and the Company as purchaser with respect of the acquisition of 7,758,590 shares of HK\$0.1 each in Bio Beauty Group Ltd.; and
- (9) this circular.

12. MISCELLANEOUS

- (1) The company secretary of the Company is Mr. Chow Kai Ming. Mr. Chow holds a bachelor degree in business administration from the Hong Kong Baptist University and is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (2) The principal share registrar and transfer office of the Company is the Bank of Butterfield International (Cayman) Limited of Butterfield House, Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands.
- (3) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (4) In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Global Green Tech Group Limited (“**Company**”) will be held at 11:00 a.m. on Monday, 29 June 2009 at the Conference Room of Room 3401-08, 34th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the conditional sale and purchase agreement dated 22 May 2009 and entered into between Title Best Limited (as vendor), the Company (as purchaser) and Leung Hung Fai (as warrantor) in relation to the acquisition (“**Acquisition**”) by the Company of the entire issued share capital of Supreme China Limited (“**SP Agreement**”) (a copy of the SP Agreement marked “**A**” and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) as mentioned in the circular (“**Circular**”) of the Company dated 12 June 2009 (a copy of the Circular marked “**B**” and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) be and is hereby approved;
- (b) subject to completion of the Acquisition, the creation and issue of the Convertible Bonds (as defined in the Circular) on and subject to the terms of the SP Agreement, be and are hereby approved and the allotment and issue of such number of shares of the Company (as described in the instrument (“**Instrument**”) constituting the Convertible Bonds (the draft of which marked “**C**” and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) upon the exercise of the conversion rights attaching to the Convertible Bonds in accordance with the terms and conditions of the Instrument be and are hereby approved;
- (c) the directors of the Company (“**Directors**”) or a duly authorised committee of the board of Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the SP Agreement, the creation and issue of the Convertible Bonds and the allotment and issue of the shares of the Company (upon exercise of the conversion rights attaching to the Convertible Bonds) in accordance with the terms and conditions set out in the Instrument

* For identification purposes only

NOTICE OF EGM

or any of the transactions contemplated under the SP Agreement (including but not limited to the execution of the Instrument) and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the SP Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

By order of the board of directors of
Global Green Tech Group Limited
Lau Jin Wei, Jim
Chairman

Hong Kong, 12 June 2009

*Head office and principal place of
business in Hong Kong:*

Room 3401-08, 34th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the offices of the Company's Hong Kong branch registrars, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.

As at the date hereof, the board of Directors comprises the following members:

Executive Directors

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

Independent non-executive Directors

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