THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities.

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 AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Financial adviser to Global Green Tech Group Limited

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the board of directors of the Company is set out from pages 6 to 41 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Conference Room, Room 3401-08, 34th Floor, Office Tower, Convention Plaza, 1 Harbour Room, Wanchai, Hong Kong on 19 February 2010 at 9:30 a.m. or any adjournment thereof is set out from pages 380 to 381 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the extraordinary general meeting of the Company should you so wish.

* *For identification purposes only*

1 February 2010

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares and the Sale Loan by the Company from the Vendor pursuant to the terms and conditions set out in the Agreements
"Agreements"	the Sale and Purchase Agreement and the Supplemental Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 9 December 2009 in relation to the Acquisition
"associate(s)	shall have the meaning as ascribed to it under the Listing Rules
"AUD"	Australian dollar(s), the lawful currency of Australia
"Australian Company"	Westralian Resources Pty. Ltd., an investment holding company incorporated in Australia on 26 November 2003 with limited liability
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bonds
"Brigade 407"	Brigade 407 of Natural Resources Geology and Exploration Development Bureau of Hunan Province* (湖南省地質礦產勘查開發局407隊)
"Business Day"	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
"Capital Increase"	the proposed increase in the authorised share capital of the Company from HK$600,000,000 to HK$800,000,000 by the creation of an additional 2,000,000,000 new Shares
"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 Shares and the assignment of the Sale Loan

"Completion Date"	the date on which Completion takes place in accordance with the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of HK$1,200 million payable by the Company to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement
"Consideration Share(s)"	762,022,000 new Shares to be issued and allotted to the Vendor and/or its nominees (as the Vendor may direct), credited as fully paid at the Issue Price in accordance with the terms and conditions of the Sale and Purchase Agreement
"Conversion Price"	HK$0.4 per Conversion Share, subject to adjustments in accordance with the terms of the Convertible Bonds
"Conversion Share(s)"	2,237,978,000 new Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to all Convertible Bonds in full at the initial Conversion Price
"Convertible Bond(s)"	the convertible redeemable bonds in the principal amount of HK$895,191,200 to be issued by the Company to the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held on 19 February 2010 to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares and the Conversion Shares, and the issue of the Convertible Bonds) and the Capital Increase
"Enlarged Group"	the Group immediately after the Completion
"Exploration Area"	the exploration area of 19.75 km^2 as defined in the Exploration Permit, inclusive of the Mines and the Uncovered Area
"Exploration Permit"	the exploration permit held by the Mining Company for conducting the exploration activity at the Exploration Area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
"Issue Price"	the issue price of HK$0.4 per Consideration Share
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"km^2"	square kilometer(s)
"Last Trading Day"	1 December 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of the Announcement
"Latest Practicable Date"	27 January 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mines"	the gold mines located at Guangzhuang Township, Yuanling County, Hunan Province, the PRC which are subject to the Mining License
"Mining Company"	湖南西澳礦業有限公司 (Hunan Westralian Mining Co., Ltd.*), a sino-foreign co-operative joint venture enterprise established in the PRC on 6 July 2005 with limited liability
"Mining License"	the mining license held by the Mining Company for conducting the mining activity at the Mines
"mm"	millimetre(s)
"Mr. Wang"	Mr. Wang Chun Lin (王春林)
"Mtpa"	million tonnes per annum
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC

"Sale and Purchase Agreement"	the sale and purchase agreement in relation to the Acquisition entered into among the Company, the Vendor and Mr. Wang on 1 December 2009 (which has been varied and supplemented by the Supplemental Sale and Purchase Agreement)
"Sale Loan"	all indebtedness, obligations and liabilities due, owing or incurred by the Australian Company to the Vendor as at the Completion Date, whether actual, contingent or deferred and irrespective whether or not the same is due and payable on Completion, which as at the date of the Sale and Purchase Agreement amounted to US$47,461,725.00
"Sale Share(s)"	50,000 share(s) of AUD10,000.00 each in the issued share capital of the Australian Company, representing the entire issued share capital of the Australian Company as at the date of the Sale and Purchase Agreement
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	shall have the meaning ascribed thereto under the Listing Rules
"Supplemental Sale and Purchase Agreement"	the supplemental agreement to the Sale and Purchase Agreement dated 9 December 2009 entered into among the Company, the Vendor and Mr. Wang to vary and supplement certain terms of the Sale and Purchase Agreement
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases of the SFC
"Target Group"	the Australian Company and the Mining Company
"Technical Adviser"	SRK Consulting China Limited, an independent technical adviser
"Technical Report"	a technical report on the Mining Area issued by the Technical Adviser in September 2009, which is reproduced in Appendix VIII to this circular

"US$"	US dollars, the lawful currency of the United States
"Valuation"	the valuation of the Mines as at 30 November 2009
"Valuation Report"	the valuation report prepared by the Valuer regarding the Valuation, which is set out in Appendix IX to this circular
"Valuer"	BMI Appraisals Limited, an independent valuer
"Vendor"	Cosmos Castle Management Limited, being the vendor of the Acquisition under the Sale and Purchase Agreement
"%"	per cent.

For the purpose of this circular, all amounts denominated in US$ have been translated (for information only) into HK$ using the exchange rate of US$1.00:HK$7.75. No representation is made that any amounts in US$ or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

* *For identification purposes only*

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. Yip Chung Wai David
Mr. Wong Hiu Tung
Mr. Jia Xuelei

Independent non-executive Directors:
Mr. Cheung Kwok Yu
Ms. Lin Ying
Mr. Li Yongxiang

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

1 February 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

Reference is made to the Announcement regarding the Agreements and the Acquisition. In addition, the Company also proposes to increase its authorised share capital.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreements and the Acquisition; (ii) details of the Capital Increase; and (iii) a notice of EGM at which resolutions will be proposed to consider and, if thought fit, approve the Agreements (including the allotment and issue of the Consideration Shares and the Conversion Shares and the issue of the Convertible Bonds), the Acquisition and the Capital Increase.

* *For identification purposes only*

(I) THE ACQUISITION

THE AGREEMENTS

Set out below are the principal terms of the Agreements:

Date:

The Sale and Purchase Agreement was entered into on 1 December 2009 (after trading hours) and the Supplemental Sale and Purchase Agreement was entered into on 9 December 2009.

Parties involved:

Purchaser

The Company

Vendor

Cosmos Castle Management Limited, being the sole shareholder of the Australian Company, is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of the Sale and Purchase Agreement, the Vendor was owned by seven corporate shareholders.

The Vendor was introduced to the Company by Mr. Wang, being one of the ultimate beneficial owners of the Vendor and an acquaintance of Mr. Yip Chung Wai David, an executive Director.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendor, its ultimate beneficial owners and their respective associates are (i) Independent Third Parties; and (ii) not a party acting in concert (as defined under the Takeovers Code) with any substantial shareholders of the Company.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) each of the Vendor, its ultimate beneficial owners and their respective associates do not hold any Shares or other convertible securities in the Company as at the date of the Sale and Purchase Agreement; and (ii) there were no previous transactions or business relationship between the Company and each of the Vendor, its ultimate beneficial owners and their respective associates which would result in aggregation under Rule 14.22 of the Listing Rules.

Vendor's guarantor

Mr. Wang

In consideration of the Company agreeing to enter into the Sale and Purchase Agreement, Mr. Wang has agreed to guarantee the Vendor's obligations under the Sale and Purchase Agreement.

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan free from all encumbrances at the Consideration. The Sale Shares represent the entire issued share capital of the Australian Company, which in turn holds 80% of the registered capital of the Mining Company. The shareholding structure of the Target Group is included under the section headed "Shareholding Charts" in this letter.

The principal assets of the Target Group are the Mining License and the Exploration Permit held by the Mining Company. As confirmed by the Vendor, the Sale Loan amounted to approximately US$47,461,725.00 as at the date of the Sale and Purchase Agreement. For further information of the Target Group, please refer to the section headed "Information on the Target Group" below.

The Consideration:

The Consideration of HK$1,200 million shall be settled in the following manner on the Completion Date:

(i) as to HK$304,808,800 by the allotment and issue of the Consideration Shares at the Issue Price of HK$0.4 per Consideration Share to the Vendor and/or its nominees (as the Vendor may direct) by the Company; and

(ii) as to HK$895,191,200 by the issue of the Convertible Bonds in the principal amount of HK$895,191,200, which may be converted into conversion shares at the initial Conversion Price of HK$0.4 per Conversion Share, to the Vendor and/or its nominees (as the Vendor may direct) by the Company.

Basis of the Consideration:

The Consideration was determined between the Company and the Vendor after arm's length negotiations, taking into account the followings:

(i) the preliminary Valuation of the Mines (for the avoidance of doubt, such preliminary Valuation excludes the exploration activity conducted at the Uncovered Area (as being defined below)) of no less than HK$1,500,000,000 as at 30 November 2009 by the Valuer; and

(ii) the latest market statistics and prospects of the gold mining industry.

As shown in the Valuation Report, the market value of the 100% interest in the Mines as at 30 November 2009 was HK$1,600,000,000.

As referred to in the voluntary announcement of the Company dated 11 December 2009, the acquisition of the Target Group by the Vendor from China Goldmines Plc. ("**China Goldmines**") (a company listed on AIM, a market operated by London Stock Exchange Plc) in September 2009 (the "**Previous Transaction**") was conducted at a total consideration of US$26,350,000 (equivalent to approximately HK$204,212,500) (the "**Previous Consideration**"). Accordingly, the Consideration represents approximately 5.83 times of the Previous Consideration. In this regard, the Directors would like to emphasise that the Consideration was determined between the Company and the Vendor after arm's length negotiations taking into account the aforementioned basis. Given the foregoing, and after considering those other factors as stated in the latter sections of this letter, the Board considers that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Furthermore, the parties to the Sale and Purchase Agreement acknowledged that the Exploration Area covers not only the Mines (such area not being the Mines is referred to as "**Uncovered Area**" in this circular) and all reserves of gold and/or other mineral resources in the Uncovered Area and all interests therein and benefits thereof shall belong, subject to all applicable laws and regulations, to the Mining Company solely and any subsequent discovery of other reserves at the Uncovered Area shall not in any event result in any revision to the Consideration.

Given the uncertainty of proven reserves at the Uncovered Area and that the Mining Company has not yet obtained a mining license for the Uncovered Area, the Valuation of the Mines is based on the mining activity conducted at the Mines only, and the Consideration, which was determined with reference to the preliminary Valuation of the Mines, has not taken into account the exploration activity conducted at the Uncovered Area.

According to the Valuation Report, the Valuer has applied the market approach for the purpose of valuation of the Mines. Under the market approach, a list of listed comparable companies mainly engaged in gold mining were selected. The Valuer considered that those comparable companies are fair and representative samples. The Valuer confirmed that the market approach referring to historical financial performance of comparable listed companies is one of the common valuation multiples for the purpose of valuation of gold mines.

Based on the Valuation Report, the valuation on the fair value of the Mines was HK$1,600 million as at 30 November 2009. The Consideration represents a discount of approximately 6.25% to "80% of the Valuation of the Mines", being the effective interest of the Company in the Mining Company upon Completion.

The Directors and the Valuer confirmed that the Valuation of the Mines does not constitute a profit forecast under Rules 14.61 and 14.62 of the Listing Rules.

Having considered (i) that the Acquisition will provide an opportunity for the Group to gain access to the gold mining industry with an aim of broadening the income base of the Group, and thereby enhancing the Group's future financial performance and profitability; (ii) the latest market statistics and future prospects of the gold mining industry as set forth in the latter section of this letter; (iii) that the Consideration represents a discount of approximately 6.25% to "80% of the Valuation of the Mines"; and (iv) that the Consideration will be entirely satisfied by the issue of the Consideration Shares and the Convertible Bonds, and there is no immediate cash outflow by the Company to finance the Acquisition, the Board considers that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent:

Completion of the Sale and Purchase Agreement (which has been varied and supplemented by the Supplemental Sale and Purchase Agreement) is conditional upon the following conditions being fulfilled or waived:

(a) the receipt by the Company of a legal opinion on the PRC laws in respect of the state and affairs of the Mining Company (in such form and substance to its satisfaction and at the Company's own costs and expenses);

(b) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;

(c) the approval by the Shareholders (or, if so required by the Listing Rules, the independent Shareholders) at the EGM of (i) the Sale and Purchase Agreement and the transactions contemplated therein, (ii) the allotment and issue of the Consideration Shares; and (iii) 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 attaching to the Convertible Bonds;

(d) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained;

(e) the Company being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, relating to the exploration and/or exploration of extractable ore reserves of gold, financial operational or other aspects that the Company considers important) on the Target Group, the Mines and their related business assets, liability, activities, operations, prospects and other status which the Company, its agents of professional advisers consider necessary and appropriate to conduct;

(f) from the date of the Sale and Purchase Agreement and at any time before the Completion, that the representations, warranties and undertakings given under the Sale and Purchase Agreement remain true, accurate and not misleading in any material respect and that no events have occurred that would result in any material breach of any warranties or other provisions of the Sale and Purchase Agreement;

(g) the receipt by the Company of a confirmation by the Vendor confirming that, from the date of the Sale and Purchase Agreement, there is any material adverse change in respect of any member of the Target Group;

(h) the Company having obtained a reserve report to be issued by a technical adviser at the Company's own costs and expenses showing that the Mines have a total remained reserve of gold as at July 2009 of not less than 34.4 tonnes, such reserve report shall be in form and substance satisfactory to the Company and the bases and assumptions on which such reserve report is prepared shall be in all respects acceptable to the Company;

(i) the receipt by the Company of a legal opinion on the Australian laws (in such form and substance to its satisfaction and at the Company's own costs and expenses) covering, among other things, the due incorporation and valid existence of the Australian Company and the transferability of the Sale Shares and the Sale Loan;

(j) the receipt by the Company of the disclosure letter from the Vendor in such substance and form to the satisfaction of the Company;

(k) the Vendor and parties acting in concert with it will not be required under the Takeovers Code to make any offer for securities of the Company as a result of the completion of the transactions under the Sale and Purchase Agreement; and

(l) the renewal of the term of the Mining License.

The Company may at its absolute discretion at any time waive in writing any of the conditions (other than conditions (b), (c), (d), (k) and (l)) (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Company. If the conditions are not fulfilled or waived on or before the 31 May 2010, the Sale and Purchase Agreement shall lapse and be of no further effect and no party to the Sale and Purchase Agreement shall have any claim against or liability to the other parties.

For the purpose of condition precedent (e) above, the reason(s) for not being satisfied with the results of the due diligence exercise by the Company shall only be an unsatisfactory result of the due diligence exercises in a material respect. In this respect, "material respect" means that in the opinion of the Company, the results are so material and continuing that they have the effect of substantially affecting the Company's enjoyment of the benefits under the Sale and Purchase Agreement and they cannot be remedied or compensated by the Vendor in any extent before or after the Completion.

As at the Latest Practicable Date, condition (h) above was considered as fulfilled.

Completion:

Completion shall take place on the third Business Day after the fulfillment or waiver of all conditions stated above.

The Company has no present intention to change the composition of the Board and the management of the Company upon Completion and the Directors confirmed that the Company does not intend to appoint the ultimate beneficial owners of the Vendor and/or his/her associates as Director(s) as a result of the Acquisition.

The Consideration Shares:

Pursuant to the Sale and Purchase Agreement, HK$304,808,800 out of the Consideration is to be satisfied by the allotment and issue of the Consideration Shares at the Issue Price of HK$0.4 by the Company to the Vendor and/or its nominees (as the Vendor may direct) upon Completion.

The Issue Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account of the prevailing market price of the Shares and the recent condition of the financial market in Hong Kong.

The Issue Price represents:

(i) a premium of approximately 9.59% over the closing price of HK$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 19.19% to the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 12.09% to the average closing price of approximately HK$0.455 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 3.85% to the average closing price of approximately HK$0.416 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a discount of approximately 60.86% to the consolidated net asset value of the Group of approximately HK$1.022 per Share as at 30 June 2009 (based on the unaudited consolidated net asset value of the Group of approximately HK$2,678,076,000 as at 30 June 2009 and 2,620,781,300 issued Shares as at the Latest Practicable Date).

The Consideration Shares represent (i) approximately 29.08% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 22.53% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; (iii) approximately 13.56% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price.

The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue including the rights to all dividends, distributions and other payments made or to be made for which the record date falls on or after the date of such allotment and issue.

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares. The Consideration Shares shall be allotted and issued under a specific mandate to be obtained at the EGM. There is no restriction on subsequent sale of the Consideration Shares.

The Convertible Bonds:

Pursuant to the Sale and Purchase Agreement, HK$895,191,200 out of the Consideration is to be satisfied by the issue of the Convertible Bonds, which may be converted into Conversion Shares at the initial Conversion Price of HK$0.4 per Conversion Share, by the Company to the Vendor and/or its nominees (as the Vendor may direct).

The principal terms of the Convertible Bonds are summarised as follows:

Issuer

The Company

Bondholder(s)

The Vendor (and/or its nominees (as the Vendor may direct))

Principal amount

HK$895,191,200

Maturity date

The date falling three years after the issue date of the Convertible Bonds or, if that is not a Business Day, the first Business Day thereafter.

Interest

Nil

Transferability

The Convertible Bonds will be freely transferable or assigned (in integral multiple of HK$1,000,000 or such lesser amount representing the entire outstanding principal amount of the Convertible Bonds). Any transfer of the Convertible Bonds to any connected person of the Company shall be subject to the applicable requirements that the Stock Exchange may impose from time to time, if any.

Voting rights

The Bondholder(s) is/are not entitled to attend or vote at any meetings of the Company by reason of it/them only being a Bondholder.

Conversion rights

The Bondholder(s) has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$1,000,000 or integral multiples thereof) at any time during the period commencing from the day immediately following the date of issuance of the Convertible Bonds up to 4:00 p.m. on the maturity date, provided that the Convertible Bonds may not be converted, to the extent if such conversion would result in (i) the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules (the "**Public Float Requirement**"); or (ii) such Bondholder and parties acting in concert with it, taken together, becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code regardless of whether a waiver has been granted by the SFC on the obligation of a mandatory general offer under the Takeovers

Code. The obligation of the Bondholder(s) under (i) will be subject to (a) the Company's delivery of evidence to the satisfaction of the relevant Bondholder in respect of the Company's non-compliance with the Public Float Requirement as a result of the intended conversion; and (b) the Company's undertaking to take immediate and appropriate steps and measures to comply with the Public Float Requirement.

Conversion Price

The initial Conversion Price of HK$0.4 per Conversion Share (subject to adjustments as detailed below) represents:

(i) a premium of approximately 9.59% to the closing price of HK$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 19.19% to the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 12.09% to the average closing price of approximately HK$0.455 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 3.85% to the average closing price of approximately HK$0.416 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a discount of approximately 60.86% to the consolidated net asset value of the Group of approximately HK$1.022 per Share as at 30 June 2009 (based on the unaudited consolidated net asset value of the Group of approximately HK$2,678,076,000 as at 30 June 2009 and 2,620,781,300 issued Shares as at the Latest Practicable Date).

The Directors confirmed that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account the prevailing market price of the Shares and the recent condition of the financial market in Hong Kong.

The initial Conversion Price of HK$0.4 per Conversion Share is subject to adjustments in each of the following cases (detailed provisions are set out in the terms and conditions of the instrument constituting the Convertible Bonds):

(a) an alteration to the nominal value of the Shares as a result of consolidation or subdivision;

(b) an issue by the Company of any Shares to the Shareholders by way of (i) capitalisation of profits or reserves; or (ii) a scrip 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 new 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 subscribe for any Shares to all or substantially all Shareholders (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, the 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 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.

Redemption

Upon the occurrence of an event of default, the Bondholder(s) 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 is equivalent to the principal amount of the Convertible Bonds.

Mandatory conversion

Any Convertible Bond which remains outstanding by 4:00 p.m. on the maturity date shall be automatically converted into Conversion Shares upon maturity date at the then prevailing conversion price. However, there shall not be any mandatory conversion of the Convertible Bonds on the maturity date, if such conversion would result in (i) the Company's non-compliance with the Public Float Requirement; or (ii) such Bondholder and parties acting in concert with it, taken together, will become obliged to make a mandatory offer under Rule 26 of the Takeovers Code regardless of whether a waiver has been granted by the SFC on the obligation of a mandatory general offer under the Takeovers Code (provided that the obligation of the Bondholder(s) under (i) will be subject to (a) the Company's delivery of evidence to the satisfaction of the relevant Bondholder in respect of the Company's non-compliance with the Public Float Requirement as a result of the intended conversion; and (b) the Company's undertaking to take immediate and appropriate steps and measures to comply with the Public Float Requirement) and in such event, the balance of the Convertible Bonds not converted into the Conversion Shares will be redeemed by the Company at a redemption amount equals to the principal amount of the Convertible Bonds.

Ranking of the Conversion Shares

The Conversion Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Conversion Shares to be allotted and issued upon conversion of the Convertible Bonds. The Conversion Shares shall be allotted and issued under a specific mandate to be obtained at the EGM.

No application for the listing of, and permission to deal in the Convertible Bonds with be made by the Company.

Conversion Shares

Assuming full conversion of all the Convertible Bonds at the initial Conversion Price, a maximum of 2,237,978,000 Conversion Shares will be issued, representing (i) approximately 85.39% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 66.16% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; (iii) approximately 39.82% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price.

Undertakings by the Company

Under the Sale and Purchase Agreement, the Company has undertaken not to (or enter into any agreement or arrangement relating to), save for having first obtained the prior written consent of the Vendor (which consent shall not be unreasonably delayed or withheld), issue further shares, bonds, notes and other securities prior to the Completion. The aforesaid restriction shall not apply to:

(i) any issue of shares, bonds, notes and other securities of the Company as contemplated under the Sale and Purchase Agreement;

(ii) any grant of share options pursuant to the share option scheme adopted by the Company pursuant to Chapter 17 of the Listing Rules;

(iii) any issue of new Shares pursuant to the exercise of share options granted or to be granted by the Company pursuant to the share option scheme adopted by the Company pursuant to Chapter 17 of the Listing Rules;

(iv) any issue of new Shares pursuant to the conversion of the 8% convertible bonds due 2012 created by the Company pursuant to an instrument dated 3 July 2009; and

(v) any issue of shares, bonds, notes and other securities pursuant to any pre-existing obligations of the Company.

INFORMATION ON THE TARGET GROUP

The Australian Company

The Australian Company is an investment holding company incorporated in Australia on 26 November 2003 with limited liability and is a wholly-owned subsidiary of the Vendor. The principal asset of the Australian Company is its 80% equity interest in the Mining Company.

The Mining Company

The Mining Company is a sino-foreign co-operative joint venture enterprise established in the PRC on 6 July 2005 with limited liability. The Mining Company is owned as to 80% by the Australian Company and 20% by Brigade 407, an Independent Third Party. The principal assets of the Mining Company are the Mining License and the Exploration Permit while its principal activities are the exploration, mining, extraction, production, sale, processing, import and export of gold.

The Target Group

Upon Completion, the Company will be effectively interested in (i) 100% equity interest in the Australian Company; and (ii) 80% equity interest in the Mining Company. As a result, upon Completion, the Australian Company will become a wholly-owned subsidiary of the Company and the Mining Company will become an indirect non wholly-owned subsidiary of the Company and the financial results of the Target Group will be fully consolidated into the financial statements of the Group.

Financial information on the Target Group

Set out below is a summary of the audited consolidated financial information on the Australian Company (of which the accounts of the Mining Company have been consolidated) for the two years ended 30 June 2009 and for the three months ended 30 September 2009 prepared in accordance with the Hong Kong Financial Reporting Standards:

Consolidated income statement	**For the year ended 30 June 2008** *HK$*	**For the year ended 30 June 2009** *HK$*	**For the three months ended 30 September 2009** *HK$*
Revenue	4,128,154	2,420,311	–
Net loss before taxation	(17,219,343)	(34,611,844)	(10,358,068)
Net loss after taxation	(17,219,343)	(34,611,844)	(10,358,068)

Consolidated balance sheet	**As at 30 June 2008** *HK$*	**As at 30 June 2009** *HK$*	**As at 30 September 2009** *HK$*
Total assets	281,932,130	307,846,340	295,207,525
Total liabilities	(307,536,099)	(319,002,715)	(344,063,411)
Net liabilities	(25,603,969)	(11,156,375)	(48,855,886)

From the financial information of the Target Group, the Directors noted that the losses recorded by the Target Group for the two years ended 30 June 2009 were mainly due to the high cost of exploration and substantial staff costs. As being stated in the section headed "The Mines" below, the current business operation and scale of production of the Mining Company supports daily processing of about 250 tonnes of ore according to the Technical Report. The Company will aim at enlarging the scale of production of the Mining Company after Completion and it will also review the existing operations of the Target Group from time to time to turnaround the existing loss making position of the Target Group. With the above being the case, together with the possible positive outlook of the gold mining industry, the Directors are optimistic about the prospects of the Target Group even though it recorded losses for the two years ended 30 June 2009.

The management team of the Target Group

Based on the information provided by the Vendor, the Directors understand that the Target Group's management team principally include the following members:

1. Mr. Liu Yi Ming* (劉義民)

Mr. Liu Yi Ming*, aged 46, is currently an ore dressing engineer of the Mining Company. He graduated in 1985 from Central South Mining and Metallurgy College* (中南礦冶學院) (now known as Central South University* (中南大學)) with a bachelor's degree in Engineering (specialising in ore dressing). Mr. Liu has 25 years of working experience in the mining industry. Since graduation, he served at various gold and copper mines and mining companies with positions served including but not limited to assistant engineer, engineer, factory director, ore dressing director and investment director. Mr. Liu joined the Mining Company in April 2008.

2. Mr. Tang You Jing* (唐友景)

Mr. Tang You Jing*, aged 39, is currently a manager of ore dressing department of the Mining Company. He graduated from Southern Institute of Metallurgy* (南方冶金學院) (now known as Xianjiang Western Polytechnic University* (現江西理工大學)) in 1994 and studied in Safety Engineering. He has been working in the mining industry since graduation in the areas of ventilation, mining and safety. Mr. Tang has been working as an engineer since 1998 and was promoted to become a deputy factory director in 2003. He obtained the qualification of registered safety engineer in 2004 and has over 13 years' experience in mining technique and management works. Mr. Tang joined the Mining Company in May 2008.

3. Mr. Ma Guang* (馬光)

Mr. Ma Guang*, aged 28, is currently a mining engineer of the Mining Company. He graduated in June 2004 from the School of Resources and Safety Engineering, Central South University* (中南大學) with a bachelor degree specialising in mining. From June 2004 to June 2009, Mr. Ma served as a technician, and was promoted as a production manager and safety production manager at the Xiadian Gold Mines (夏甸金礦) operated by Zhaojing Mining Industry Company Limited in Shandong Province afterwards. Mr. Ma has joined the Mining Company since June 2009.

4. Mr. Liu Guo Fu* (劉國富)

Mr. Liu Guo Fu*, aged 26, is currently a manager of mining department of the Mining Company. He graduated from Central South University* (中南大學) in 2006 and studied in Mining and Geotechnical Engineering. He has been working as a mining technician since 2006. Mr. Liu has joined the Mining Company since December 2007.

CAPITAL REQUIREMENTS OF THE MINING COMPANY

The Board expects that the Mining Company will have the following capital requirements and development plan based on the Technical Report and representation from the management of the Mining Company:

Operating and Capital Cost

The followings are the major cost items as provided by the Mining Company based on the Technical Report:

Unit mining cost including hoisting to a mining level:

RMB58 per tonne ore

Average unit mining cost including hoisting to the surface:

RMB116 per tonne ore

Unit processing cost:

RMB60 per tonne ore

As advised by the Technical Adviser, the Mines are underground mines and in some parts there are more than one level (main tunnel at a certain elevation to access ore bodies and transportation). The mining costs hence include the costs related to mining preparation, blasting, loading and transporting ore to the ore processing plant. The cost of RMB58 per tonne ore is only a rough cost to only hoist ore for one level and does not cover the whole costs for the ore reaching the ore processing plant. The overall mining costs will be double that cost, i.e. RMB116 per tonne ore processed. The unit processing cost is the cost for processing each tonne of ore.

As confirmed by the Vendor, the exploration activity at the Mines is currently suspended. At this stage, the Target Group has sufficient funding and financial means by way of shareholder's loans.

Potential customers

According to the management of the Mining Company, the Mining Company has only three customers, namely Hunan Chenzhou Mining Co., Ltd.* (湖南辰州礦業股份有限公司), Yantai Gold Smelting Co., Ltd.* (烟台市黃金冶煉有限責任公司) and Wuqiangxi Gold Refining Co., Ltd.* (五强溪黃金冶煉有限責任公司). The final products of the Mining Company will be sold/delivered to the local market/corporations by means of trucks and trains depending on the location of the client. In view of the possible positive outlook of the gold metal as demonstrated under the section headed "Industry overview" below in this letter, the Directors believe that the demand for gold metal would remain strong in the future. The Directors shall also actively source new customers for the Mining Company in the future.

Future development plan

As advised by the management of the Mining Company, with an aim of cost saving, enhancing production management and extending production scale, the Mining Company plans to build a processing plant with daily production capacity of 500 tonnes of ore near Zhengjiashan operation at the west section of the Mines, which will replace the existing two processing plants with daily production capacity of 250 tonnes of ore in total. The Technical Adviser reviewed such plan and considered it to be reasonable. In addition, the Company also engaged a professional consultant to advise the management of the Company on the future development of the Mines. According to a feasibility study (the "**Feasibility Study**") prepared by WBB Engineering Consultants, a member of WBB Corporate Advisors Limited (the "**Consultants**"), floatation circuit has to be designated to the new plan, and Knelson concentrator will have to be installed in the milling-screening circuit instead of the amalgamation plate. It is also the opinion of the Consultants that the existing development plan of the Mines is feasible, even though the final scale should match with the actual total recoverable resources and the rate of the mining production of the Mines.

In order to expand the production capacity of the Mines to the expected level, additional capital expenditure is required. With reference to the Feasibility Study, the Consultants estimated that the capital requirements of the Mining Company for the period from June 2010 to June 2015 would be approximately RMB199.01 million, RMB44.75 million, RMB80.84 million, RMB75.39 million, RMB23.92 million annually, totaling approximately RMB423.91 million. The said projected capital costs include expenditure on mine equipment and all underground mine development, as well as tailings, exploration, land, closing and property acquisition. For operating costs, the Consultants forecasted that the total operating costs per tonne ore will amount to approximately RMB415 to RMB471.17 for the period from year 2010 to year 2017.

Furthermore, the Consultants estimated that the production schedule for the Mines from year 2010 to year 2017 will be as follows:

Item	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Ore tonnage *(kilotonne)*	82.5	198	396	495	495	495	495	495
Final Products								
Gold concentrate *(tonne)*	0.7223	1.7132	3.4265	4.2321	4.2321	4.1811	4.1811	4.5674
Grade *(%)*	95	95	95	95	95	95	95	95

The Consultants assumed that the processed tonnage reflects the project construction schedule, i.e. reaching full capacity of 0.495 Mtpa in year 2013. The ore grade is forecasted to remain constant from year 2010 to year 2017.

The Mining Company has engaged an independent subcontractor named 沅陵縣益七工程有限公司 (Yuanling County Yiqi Engineering Limited*) (the '**Subcontractor**') for the mining operation of the Mines from October 2009 to October 2010. The services to be provided by the Subcontractor includes mining, drilling and other related operations at the Mines. As confirmed by the Vendor, the aforementioned Subcontractor is not required to obtain the Major Licenses (as defined below) for its operations.

Shareholders should note that the above estimation is based on the Feasibility Study only and is subject to change in accordance with the actual development schedule of the Mines.

The Company appointed the Technical Adviser and the Consultants to provide professional advices to the Board on the future operations of the Mining Company (including the capital requirements of the Mining Company) since September 2009, the Company shall consider adopting all the advice and recommendations from the Technical Adviser and the Consultants as and when appropriate after Completion given that all the operations of the Mining Company is currently suspended.

The Directors intend to finance the future development of the Mines through its internal financial resources and/or other fund raising activities to be conducted by the Company in the future. As at the Latest Practicable Date, the Company had not entered into any agreement in respect of such fund raising exercises. In the event that the Company proceeds to any fund raising exercise and there is any implication under the Listing Rules, the Company shall make further announcement(s) and take appropriate steps pursuant to the Listing Rules.

Business strategies

Continuing its focus on gold mines in the PRC

The Company believes that the PRC will continue to be very prospective and relatively under-explored gold producing country. The Company's strategy is to leverage on the core skills and expertise of the management team and employees of the Mining Company to continue its growth and pursue further value creating opportunities in the gold sector in the PRC.

Full value optimisation of the Mines

The Company is committed to fully optimising the value of the Mines. The current business operation and scale of production of the Mining Company supports daily processing of about 250 tonnes of ore. The immediate priority is the successful commissioning of a development plan to enlarge the production capacity of the Mining Company. A key part of the value optimisation strategy is to evaluate the economic viability of an expansion and renewal of the current processing facilities to increase the production scale. Once the development plan is finalised and approved, the management of the Mining Company will implement the same to optimise the production capacity of the Mines in a cost effective way.

Pursue new technology, effective energy savings, industrial safety and environmental protection

The Mining Company is currently not undertaking any research and development projects. However, the Mining Company intends to co-operate with leading scientific institutions to commence research and development of new mining and processing technologies, deep level mining and exploration, etc., in order to increase its recovery rate of gold, on the one hand, and to reduce the dilution and loss rate, on the other hand.

The Mining Company is committed to high standards in relation to the safety of its employees and the impact it has on the environment and communities in which it operates. As a firm with a long-term objective in the PRC, the Mining Company considers sustaining high performance in these key areas to be critical to its long-term success. The Mining Company believes that it has previously demonstrated high levels of performance in these areas and will continue to do so in the future.

THE MINES

The Mines are located at Guangzhuang Township, Yuanling County, Hunan Province, the PRC with an aggregate exploitation area of approximately 6.3126 km^2. As extracted from the Technical Report, the Mines are divided into east section (Zhengjiashan operation, Xianglu operation, Jinzhuwan operation and Jiufa operation) and west section (Shenjiaya operation, Xiaochongzi operation, Baomuyuan operation and Deseng operation). As confirmed with the Vendor, the exploration activity at the Mines was completed and the Mines are currently at the exploitation and production stage.

As also represented by the Vendor, the current business operation and scale of production of the Mining Company supports daily processing of about 250 tonnes of ore. After Completion, it is the target of the Company to enlarge the production capacity of the Mining Company to about 500 tonnes of ore per day. Production capacity refers to the tonnage of ore the Mining Company can process by its processing plant.

THE MINING LICENSE AND THE EXPLORATION PERMIT

Details of the Mining License and the Exploration Permit are summarised as below:

License number	**Holder of the license**	**Mining area** *(km^2)*	**Expiry date**
4300000820405	The Mining Company	6.3126	January 2010

Permit number	**Holder of the permit**	**Exploration area** *(km^2)*	**Expiry date**
T43120080902014497	The Mining Company	19.75	7 September 2011

The Company has appointed the PRC legal advisers to carry out legal due diligence on, among other things, the Target Group, the Mining License and the Exploration Permit. Pursuant to the PRC laws, rules and regulations, the Mining Company shall apply for the renewal of the Mining License at the relevant registration authority 30 days before the expiry date of the Mining License. As confirmed by the Vendor, the Mining Company has already applied for the said renewal. The renewal application of the Mining License is being processed and it is expected that the renewed Mining License will be issued on or before 31 January 2010.

The PRC legal advisers further advised that there is no existing stipulations under the PRC laws which specifically govern the duration of the renewed term of the Mining License. The duration of the renewed term of the Mining License is dependent on a number of factors, such as the mining scale of the Mining Company, the residual mining reserves and is subject to the decision of the relevant PRC registration management authorities.

As for the Exploration Permit, the Exploration Permit shall give the Company the rights to carry out mining activity, instead of imposing any obligation/commitments to the Target Group. In light of the uncertainty of proven reserves at the Uncovered Area and that the Mining Company has not yet obtained a mining license for the Uncovered Area, it is the present intention of the Directors not to continue with the existing exploration activity conducted at the Uncovered Area and not to apply for the relevant mining license(s) for the Uncovered Area. After Completion, the Mining Company will only focus on the mining activity conducted at the Mines and shall apply for cancellation of the Exploration Permit.

THE TECHNICAL REPORT

According to the Technical Report issued by the Technical Adviser in September 2009, the identified reserves of the Mines (based on the JORC Code) are as follows:

Category	Million tonnes	Average grade *(gram/tonne)*	Contained gold *(tonne)*
Indicated	0.217	13.36	2.9
Total inferred resources	5.5	10.73	59
Inferred (mined)	–2.563	10.73	–27.5
Inferred (remained)	2.937	10.73	31.5
Total resources	**3.154**	**10.91**	**34.4**

According to the Valuer and under the JORC Code, an ‘inferred mineral resource’ is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. An “inferred mineral resource” is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability. Whereas for an ‘indicated mineral resource’, the Valuer advised that under the JORC Code, it is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence, and is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. Such locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Based on the internet website of the Technical Adviser at www.srk.com, the Technical Adviser is an independent international consulting practice which provides focused advice and solutions to clients, mainly from earth and water resource industries. For mining projects, the Technical Adviser offers services from exploration through feasibility, mine planning, and production to mine closure. Most of the clients of the Technical Adviser are the world’s major and medium-sized metal and industrial mineral mining houses, exploration companies, banks, petroleum exploration companies, construction firms and government departments.

With reference to the Technical Report, Dr. Anson Xu is the team leader of the Technical Adviser’s project team. Dr. Anson Xu is a principal geologist with a specialty of exploration of mineral deposits and has more than 20 years of experience in exploration and development of various types of mineral deposits. He has recently completed several due diligence jobs for clients in the PRC, including gold, silver, lead-zinc, iron, bauxite, and copper projects, and several technical review projects, as well as the technical reports required for initial public offerings on the Stock Exchange.

The Valuer confirmed that they are satisfied with the qualification of the Technical Adviser and the Valuation of the Mines was estimated based on the Technical Report.

Extracted below are the relevant sections of the Technical Report which may provide Shareholders with additional information when considering the Acquisition. The full text of the Technical Report is contained in Appendix VIII to this circular.

Mining

As extracted from the Technical Report and aforementioned, the Mining Company has eight mining operations which are divided into east section and west section. At present, the Mining Company is upgrading the four operations at the west section where the operations have been connected. The Mining Company is also upgrading the east section even though the four operations located therein have not yet been connected. As the ventilation systems have not been formed in Jinzhuwan and Jiufa operations at the east section, no mining is conducted there. Moreover, as Xianglu operation at the east section has extremely high grade of gold, it is not mined for security reason.

All the operations at the Mines are naturally ventilated.

At present, the Mining Company has a mining capacity of 400 tonnes of ore per day and it proposes to expand its mining capacity to 2,000 tonnes of ore per day after further development of the Mines (such as the increase in the number of wells and construction of more underground tunnels, at the Mines) in the future. In addition, the Subcontractor would also increase its manpower at the Mines in the future. Mining capacity refers the tonnage of ore the Mining Company can mine.

The services fees of the Subcontractor named 沅陵縣益七工程有限公司 (Yuanling County Yiqi Engineering Limited*) is based on the tonnes of ore to be mined or processed by the Subcontractor, the mining capacity of the Subcontractor will be increased after further development of the Mines in the future.

The Mining Company has about 300 people working underground in three shifts and eight hours per shift.

Ore processing and metallurgy

As extracted from the Technical Report, the Mining Company's gold deposit is a stripping shaped quartz vein which is approximately 5 km long. A total of eight ore processing plants had been constructed: Desheng and Baomuyuan plants are still in operation, four plants had been pulled down and two plants had stopped operation. The ore handling capacities of Desheng and Baomuyuan plants are 50 tonnes of ore per day and 200 tonnes of ore per day respectively. Amalgamation-flotation method is used to process underground extraction and produce crude gold ingot and gold concentrate. The flowsheet comprises the following four steps:

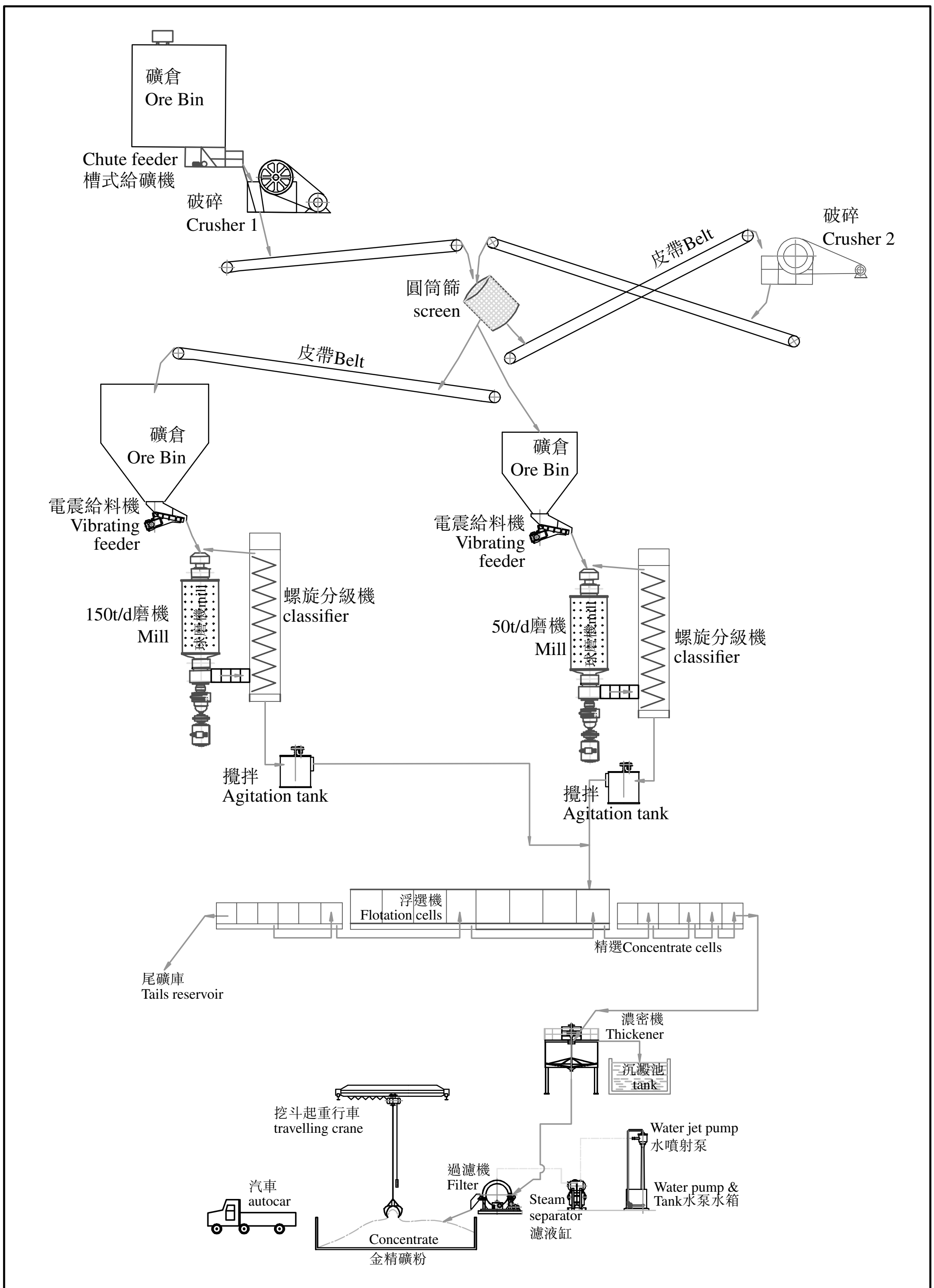
1. ***Ore Crushing:*** Dual-stage open circuit is used for crushing raw ore into pieces with particle size being less than 25 mm.

2. ***Ore Milling-Amalgamation:*** Crushed ore is milled by one stage close-circuit (consisting of ball mill and spiral classifier), and the particle size is reduced to 80% passing 0.074 mm mesh. Amalgamation plate is installed for pre-recovering 20-30% gold which will be smelted to crude gold ingot.

3. ***Flotation:*** This phase comprises 1 × roughing, 2 × scavenging, 2-4 × cleaning. After the separation; the gold concentrate is graded at 130-150 grams per tonne, and the total gold recovery rate is around 96%.

4. ***Concentrate and Tailings Handling:*** The concentrate is dehydrated to a level of moisture content of 11-12% and packed in weaving bags. Tailings are piped to the tailing storage facility, and the tailings' water has not been reused.

Set out below is the flow chart for the processing process of the Mining Company:

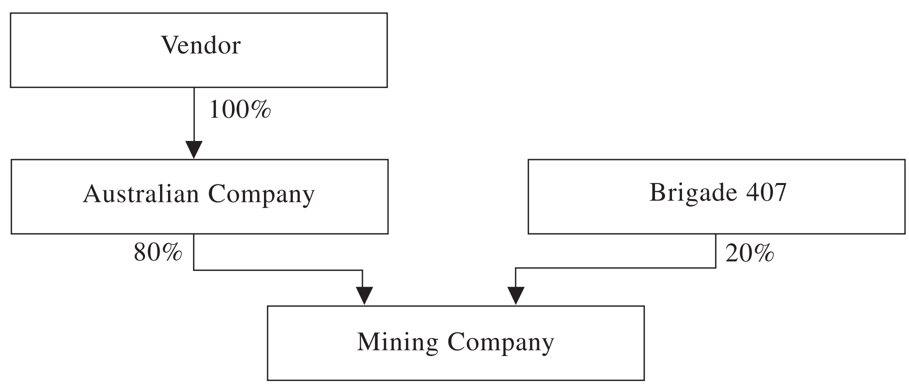


According to the Vendor, those permits marked with "NS" in the table on page 229 of the Circular are not necessary for the moment. The Mines are a congregation of eight small gold mines, and the Mining Company is allowed to apply for the same within three years and can operate legally within these three years.

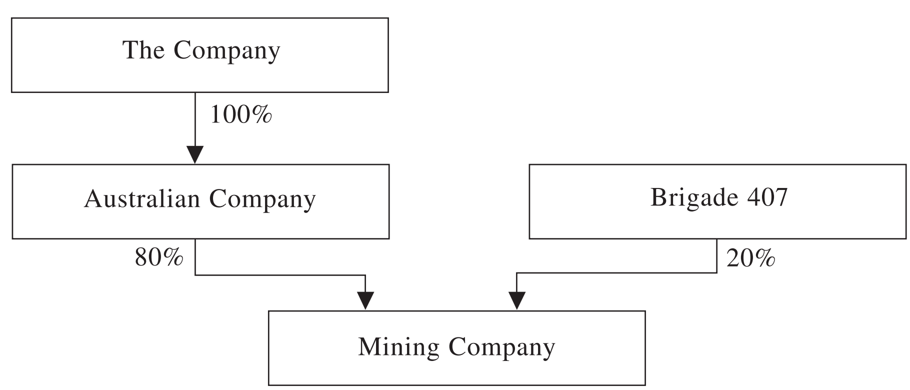
SHAREHOLDING CHARTS

The following charts show (i) the shareholding structure of the Target Group as at the Latest Practicable Date; and (ii) the shareholding structure of the Enlarged Group immediately upon Completion:

Shareholding structure as at the Latest Practicable Date



Simplified shareholding structure immediately upon Completion



INDUSTRY OVERVIEW

Gold is primarily used in the fabrication of jewelry, coinage and as a means for monetary exchange. Due to its superior electrical conductivity, resistance to corrosion, malleability and ductility, it is also an essential raw material in the production of electronics, such as computers and communications equipment. Additionally, gold has important uses in the production of dental products, as well as many other industrial and decorative applications.

The demand for gold can be divided into two categories – fabrication and investment.

Fabrication demand comprises demand from jewelry, production of electronics, dental products, and gold used for other industrial and decorative applications. Investment demand comprises demand for coins and bullion. Demand for physical gold has been largely driven by net incremental gold stocks held in support of derivative transactions and exchange traded funds ("**ETFs**"). Investment demand is a function of the current and anticipated value of gold relative to other investments, such as cash, fixed interest securities, equities and properties, resulting largely from monetary policy considerations and expectations regarding future gold prices.

Set out below is the global demand for gold fabrication and different investment purposes for each of the three years ended 31 December 2008:

Types of demand	**2006**	**2007**	**2008**
	Tonne	*Tonne*	*Tonne*
Fabrication			
– Jewellery	2,288	2,404	2,186
– Industrial & dental	460	462	435
Sub-total of above fabrication	2,748	2,866	2,621
Bar & coin retail investment	424	446	649
Other retail investment	(8)	(14)	213
ETFs & similar	260	253	321
Total demand	**3,423**	**3,552**	**3,805**

Source: GFMS Limited

As a result of the continuous fluctuations of the world economy as well as inflation concerns, the unique investment characteristics of gold provides the much needed value preservation and protective features that central banks over the world have been searching for. Gold is also irreplaceable in ensuring national security and avoiding financial risks. Possible increase in global demand for gold and rise of gold prices would provide additional room for increasing profits for the gold mining industry. The PRC is one of the world's major consumers of gold. This huge market demand will be an important thrust for driving the rapid growth of domestic gold enterprises. In recent years, the guidance of the state's industrial policy has enhanced resources integration and industrial centralisation of the PRC's gold industry; increased efforts on resources exploration as well as development and construction in key mining areas; strived to promote technological advancement; reduced costs and improved resource recovery rate; actively tackled the issues of energy-saving and emission reduction, and built an environmental-friendly mining area in order to achieve sustainable and healthy development.

Set out below is a price chart of gold from January 2000 to October 2009:

The price chart above shows that the price of the gold demonstrated a persistent rising trend. From 2000 to 2009, the gold price increased from approximately US$280 per ounce to more than US$1,000 per ounce. As mentioned earlier, the surge in the price of gold was mainly driven by the continuous fluctuations of the world economy as well as inflation concerns.

Furthermore, according to the International Financial Statistics released by the International Monetary Fund, the gold reserves held by the PRC amounted to approximately 1,054 tonnes and ranked sixth among central banks globally in September 2009.

LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES

Given that the Target Group is principally engaged in the gold mining industry in the PRC, the Board would like to draw the Shareholders' attention to the relevant laws and regulations relating to mineral resources in the PRC as provided by the legal advisers of the Company as to the PRC laws:

The "Mineral Resources Law of the PRC" (the "**Mineral Resources Law**") (中華人民共和國礦產資源法) was promulgated by the Standing Committee of the National People's Congress of the PRC ("**NPC**") (中華人民共和國全國人民代表大會), the national legislative body of the PRC on 19 March 1986. On 29 August 1996, the Standing Committee of the NPC amended the Mineral Resources Law. The amended Mineral Resources Law became effective on 1 January 1997.

The Mineral Resources Law and its implementation rules are as follows:

– All mineral resources of the PRC, including such resources on the earth's surface or underground, are owned by the State. The State ownership of mineral resources shall remain unchanged notwithstanding that the ownership or the right to use the land to which such mineral resources are attached has been granted to a different entity or individual.

– The Ministry of Land and Resources of the PRC ("**MOLAR**") (中華人民共和國國土資源部) is responsible for the supervision and administration of the mining and exploration of mineral resources nationwide. The Geology and Mineral Resources Department of the PRC government of the respective provinces, autonomous regions and municipalities are responsible for the supervision and administration of the exploration, development and mining of mineral resources within their respective jurisdictions.

– Enterprises engaged in the mining or exploration of mineral resources must obtain mining licenses and exploration permits, as the case may be, which are transferable for consideration only in certain circumstances as provided under the PRC laws, subject to approval by relevant administrative authorities. Furthermore, if the mining activities involve gold resources, in accordance with the "Provisions on the Administration of Obtaining the Letter of Approval for Mining of Gold Minerals" (辦理開採黃金礦產批准書管理規定), promulgated by the National Development and Reform Commission on 17 December 2003 and became effective on 1 January 2004, the Gold Operating Permit (開採黃金礦產批准書) must also be obtained. The maximum validity period of the initial term of a Gold Operating Permit for a gold mine having an ore processing capacity of more than 500 tonnes per day, an ore processing capacity ranging from 100 tonnes per day to 500 tonnes per day and an ore processing capacity of less than 100 tonnes per day shall be 15 years, 10 years and five years, respectively.

– MOLAR and the Geological and Mineral Resources Department of the PRC government of the provinces, autonomous regions and municipalities authorised by MOLAR are responsible for the granting of exploration permits and mining licenses. Generally, holders of exploration permits and mining licenses have those rights and obligations as prescribed by laws.

– Anyone who exploits mineral resources must pay a resources tax and resources compensation levy in accordance with relevant regulations of the State. In accordance with the "Provisional Regulations on Resources Tax of the PRC" (中華人民共和國資源稅暫行條例), the amount of the resources tax is computed on the basis of the taxable amount.

Rights and obligations of holders of the mining license

The rights exercisable by a holder of a mining license include, among other things, the following: (1) to engage in mining activities in the designated area and within the term prescribed under the mining license; (2) to set up ore processing facilities and amenities within the designated area; (3) to engage in exploration and production within the vicinity of the mine as set out in the mining license; (4) to sell the mineral products, except for those minerals which are required by the State Council of the PRC (中華人民共和國國務院) (the "**State Council**") to be sold to designated units; and (5) to acquire the land use rights according to the needs of production.

The obligations of a holder of a mining license include, among other things, the followings: (1) to carry out mining activities in the prescribed designated area and within the term of the mining license; (2) to effectively protect and reasonably extract the mineral resources and to integrate the use of the mineral resources; (3) to pay resources tax and resources compensation levy; (4) to submit to the supervision and management by the relevant government authorities; and (5) to submit a report on the utilisation of mineral resources to the relevant government authority.

Documents to be submitted for the application/renewal of mining licenses

Relevant PRC laws and regulations do not specify which documents shall be submitted to the relevant government authorities for the renewal of a mining license. However, according to the information published on the official website of the Land and Resources Bureau of Hunan Province (湖南省國土資源廳) (http://www.gtzy.hunan.gov.cn), the application documents for renewal of a mining license are as follows:

– an application for the renewal of a mining license;

– the reserved copy and the counterpart copy of the original mining license;

– the opinion of the Department of Land and Resources at the provincial and city levels;

– maps of the mining area and floor plans of the mining operation;

– proof of qualified environmental protection;

– proof of qualified safety production;

– proofs of payment of mineral resource compensation fees and mining right usage fees, etc.;

– for mining rights which do not require disposal with consideration, reserves verification and examination report and memorandum;

– for mining rights which require disposal with consideration:

    – mineral resource reserves report and memorandum;

    – geological environmental impact assessment report and approval opinions;

    – mineral resource development and utilization proposal and approval opinions;

    – report and confirmation of mining right assessment and proofs of payment of consideration for mining right, deposits for geological environmental rehabilitation and mineral resource compensation fees;

– other materials required by the registration authorities.

Compliance history of the Target Group

As advised by the Company's legal advisers as to PRC laws, in addition to the approvals and licenses generally applicable to manufacturing enterprises, the Mining Company shall apply for other necessary licenses, such as the Gold Mineral Product Exploitation Permit* (開採黃金礦產批准書), the Mining License, the Safety Production Permit* (安全生產許可證), the Blasting Operation Unit License* (爆破作業單位許可證) and permit in relation to the purchase and usage of explosive products (collectively, the "**Major Licenses**"). As at the Latest Practicable Date, the Mining Company had only obtained the Mining License (subject to renewal) and the Gold Mineral Product Exploitation Permit* (開採黃金礦產批准書) (which will expire on 11 January 2016), while other Major Licenses as described above are still under application. To the best of the Directors' knowledge, the Mining Company had been operating without having obtained all Major Licenses in the past. As confirmed by the PRC legal advisers, there are no foreseeable legal obstacles for the Mining Company to obtain the above Major Licenses after Completion. The Directors confirmed that the Mining Company shall resume its operations only after obtaining all Major Licenses.

As further confirmed by the Vendor, the operations of the Mining Company have been suspended by the previous vendor (i.e. China Goldmines) as a result of the Security Issues (as defined in the paragraph headed "Security issues of the Mining Company" below) and the acquisition for the Australian Company by the Vendor from China Goldmines since July 2009. The Vendor continued the suspension of the operations of the Mining Company for the Acquisition. The Directors confirmed that the operations of the Mining Company will be resumed after Completion and all the Major Licenses being obtained. As such, additional time may be required for the Mining Company to obtain all the Major Licenses after Completion and may cause unexpected delay to the resumption of operations of the Mining Company in the future. As the PRC legal advisers confirmed that there are no foreseeable legal obstacles for the Mining Company to obtain the Major Licenses, the Directors believed that the operations of the Mining Company could be resumed shortly after Completion.

According to the information provided by the Vendor, the renewal fee for the Mining License shall be approximately RMB10 million.

Regarding the policies in connection with quality assurance, safety production and environmental protection, the PRC legal advisers advised that such relevant regulations in the PRC include, but not limited to, Product Quality Law*《產品質量法》, Standardization Law*《標准化法》, Mine Safety Law*《礦山安全法》, Production Safety Law*《安全生產法》, Environmental Protection Law*《環境保護法》, Environmental Impact Assessment Law*《環境影响評價法》and Water Pollution Control Act*《水污染防治法》(the "**Relevant Laws**"). In this respect, the Mining Company shall continue to comply with the aforesaid regulations in the PRC in the future.

According to the relevant laws and regulations of the PRC, exploitation of gold mineral products shall be approved by the relevant government authorities and an enterprise shall not start to exploit the gold mineral products without the obtaining of the Gold Mineral Product Exploitation Permit* (開採黃金礦產批准書). The PRC governmental authority shall have the right to order such enterprise to cease mining and indemnify losses, confiscate exploited mineral products and those illegal proceeds, and impose a fine of not more than 50% of those illegal proceeds.

As advised by the Company's legal advisers as to PRC laws, the Mining Company shall not operate without the Safety Production Permit* (安全生產許可證). According to the relevant laws and regulations of the PRC, if an enterprise starts to operate without obtaining the Safety Production Permit* (安全生產許可證), the PRC governmental authority shall have the right to order such enterprise to cease production, confiscate illegal proceeds and impose a fine of RMB100,000 to RMB500,000. For those operation without such permits which results in significant incidents or other material consequences, the enterprise shall bear criminal liabilities once convicted.

According to the relevant laws and regulations of the PRC, if an enterprise purchases or transports blasting products or undertakes blasting operation without obtaining the relevant permit, the PRC governmental authority shall have the right to order to cease such illegal purchases, transport and blasting activities, impose a fine of RMB50,000 to RMB200,000, and confiscate those civil explosives illegally purchased, transported and used in the blasting activities, and its illegal proceeds.

Each of the Vendor and Mr. Wang has agreed to indemnify the Target Group against any penalty, losses, claims, charges, expenses or fine imposed on the Mining Company by the relevant PRC government authorities and all reasonable costs (including all legal costs) and expenses incurred by the Target Group as a result of the operation of the Mining Company without obtaining (prior to the date of the Sale and Purchase Agreement) the Major Licenses.

As advised by the Vendor, the expected annual cost of compliance with the Relevant Laws is around RMB2,500,000.

REASONS FOR THE ACQUISITION

The principal activities of the Group are the manufacturing and sale of household products, industrial products, cosmetics and skincare products and biotechnology products with medical and cosmetic applications, retailing of cosmetics and provision of beauty treatment services, 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 consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income. In light of the increase in gold prices over the past years and the continual depreciation of US dollars, the Directors are optimistic about the outlook of the gold metal. The Directors consider that the Acquisition will provide an opportunity for the Group to gain access to the gold mining industry with an aim to broaden the income base of the Group, and thereby enhancing the Group's future financial performance and profitability. It is also the intention of the Company to continue with its existing businesses depending on the then business environment and prospects.

Your attention is also drawn to the section headed "Industry Overview" set out in the Valuation Report as contained in Appendix IX to this circular for information relating to the gold mining industry.

Nevertheless, the Directors consider that the Enlarged Group may be posed with certain inevitable risks due to the Acquisition (details of which are set out under the section headed "Risk factors" below). Having balanced the risks associated with the Acquisition and the prospects of the Mining Company, the Board is of the view that the terms of the Agreements are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares; (iii) immediately after the allotment and issue of the Consideration Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price; and (iv) immediately after the issue of the Consideration Shares and the Conversion Shares upon conversion of the Convertible Bonds, subject to the conversion restrictions under the terms of the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		After the allotment and issue of the Consideration Shares		After the issue of the Consideration Shares and the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price		After the issue of the Consideration Shares and the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.90% of the issued share capital of the Company *(Note 1)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Double Chance Investment Limited	569,046,976	21.71	569,046,976	16.82	569,046,976	10.12	569,046,976	15.22
The Vendor (and/or its nominee(s))	–	–	762,022,000	22.53	3,000,000,000	53.37	1,117,851,082	29.90
Public Shareholders	2,051,734,324	78.29	2,051,734,324	60.65	2,051,734,324	36.50	2,051,734,324	54.88
Total	2,620,781,300	100.00	3,382,803,300	100.00	5,620,781,300	100.00	3,738,632,382	100.00

Notes:

1. The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to the conversion restrictions under the terms of the Convertible Bonds, the Bondholder(s) shall have the right to convert the Convertible Bonds into Conversion Shares provided that the Convertible Bonds may not be converted if such conversion would result in (i) the Company's non-compliance with the Public Float Requirement; or (ii) such Bondholder and parties acting in concert with it, taken together, becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code regardless of whether a waiver has been granted by the SFC on the obligation of a mandatory general offer under the Takeovers Code.

2. As at the Latest Practicable Date, the Company had outstanding share options granted under the share option scheme of the Company, carrying rights to subscribe for 10,000,985 Shares (the "**Outstanding Options**"). Save for the Outstanding Options, the Company did not have any outstanding derivatives or securities convertible into Shares as at the Latest Practicable Date. The shareholding structure shown in the above table has assumed no exercise of the Outstanding Options.

Under the terms and conditions of the Sale and Purchase Agreement and the terms of the Convertible Bonds as mentioned above, there will not be a change in control of the Company as a result of the Acquisition.

The Company shall comply with the public float requirements, being not less than 25% of the total issued share capital of the Company under Rule 8.08 of the Listing Rules, at all times and take appropriate steps/measures to ensure sufficient public float of the Shares (if necessary).

DILUTION EFFECT OF THE SHAREHOLDERS

The Company is required to make disclosure relating to change in its issued share capital (including any conversion of the Convertible Bonds) in the Next Day Disclosure Return(s) and Monthly Return(s) in compliance with Rules 13.25A and 13.25B of the Listing Rules as and when required.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the financial results of the Target Group will be consolidated into the financial statements of the Group.

Effect on assets/liabilities

As extracted from the unaudited pro forma financial information of the Enlarged Group as contained in Appendix VI to this circular, the unaudited consolidated total assets and total liabilities of the Group were approximately HK$3,348.87 million and HK$0.58 million respectively as at 31 December 2008. Upon Completion, the Enlarged Group's total assets and total liabilities would be increased by approximately 49.31% and 106.25% to approximately HK$5,000.30 million and HK$1,194.79 million respectively.

Effect on earnings

In light of the potential future prospects of the Mines, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on gearing and working capital

According to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix VI to this circular, the Group's gearing level (being calculated as total borrowings divided by total equity) was approximately 16.50% as at 31 December 2008. Upon Completion, the total borrowings of the Enlarged Group would be increased by approximately 134.28% to approximately HK$1,070.47 million while the Enlarged Group's total equity would be increased by approximately 37.40% to approximately HK$3,805.51 million. The Enlarged Group's gearing level would thus become 28.13%.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

RISK FACTORS

Set out below are the risk factors which may be associated with the Acquisition:

Production safety and the occurrence of accidents, such as the mishandling of dangerous articles, and natural disasters

As a gold mining company, the Mining Company is subject to extensive laws, rules and regulations imposed by the PRC government regarding production safety. In particular, the operations of the Mining Company involve the handling and storage of explosives and other dangerous articles.

The PRC government continues to strengthen the enforcement of safety regulations in relation to the mining industry. There can be no assurance that more stringent laws, regulations or policies regarding production safety will not be implemented or that the existing laws, regulations and policies will not be more stringently enforced. The Mining Company may not be able to comply with all existing or future laws, regulations and policies in relation to production safety economically or at all. Should the Mining Company fail to comply with any production safety laws or regulations, the Mining Company would be required to rectify the production safety problems within a limited period. Failure to rectify any problem could lead to suspension of the Mining Company's operations. In addition, there can be no assurance that accidents arising from the mishandling of dangerous articles will not occur in the future.

In order to ensure safety of the employees and the employees of third-party contractors and to avoid any accidents, the Company shall review the existing safety policy of the Mining Company and shall increase the existing safety policy to the possible highest standard if necessary to avoid any unexpected or unforeseeable accidents.

Environmental protection and rehabilitation

Operations of gold mines are subject to environmental risks and hazards. The production and operations of the Mining Company are subject to laws, rules and regulations imposed by the PRC government regarding environmental matters, such as the treatment and discharge of hazardous wastes and materials and environmental rehabilitation. PRC laws and regulations set a series of standards for waste substances (such as waste water) that may be discharged into the environment, and impose fees for the discharge of such waste substances. In addition, the Mining Company is required under the current PRC laws and regulations to conduct mining operations in a manner that minimises the impact on the environment, such as through rehabilitation and revegetation of mined land. Environmental hazards may occur in connection with the operations of the Mining Company as a result of human negligence, force majeure or otherwise. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries or property damage, result in liability to the Mining Company and/or damage the Mining Company's reputation. Such incidents may also result in a breach of the conditions of the Mining License, or other consents, approvals or authorisations, which may result in fines or penalties or even possible revocation of the Mining License.

In the future, the Mining Company may experience increase in costs of production arising from additional expenditure for compliance with environmental laws and regulations. Moreover, the development of the Chinese economy and the improvements in the living standards of the population may lead to a heightened awareness of environmental protection. As a result, it is possible that more stringent environmental laws, regulations and policies may be promoted in the future, or the existing environmental laws, regulations and policies may be more strictly enforced. The Mining Company may not always be able to comply with existing or future laws, regulations or policies in relation to environmental protection and rehabilitation economically or at all. Should the Mining Company fail to comply with any such existing or future laws, regulations or policies, the Mining Company may be subject to penalties and liabilities under the PRC laws and regulations, including but not limited to warnings, fines, suspension of production and closure of the facility that fails to comply with the relevant environmental protection standards.

Regulatory risk

As advised by the Company's legal advisers as to the PRC laws, in addition to the approvals and licenses generally applicable to manufacturing enterprises, the Mining Company, as a gold mining company, shall apply for the Major Licenses. As at the Latest Practicable Date, the Mining Company had only obtained the Mining License (subject to renewal), while other Major Licenses as described above are still under application. As confirmed by the PRC legal advisers, there are no foreseeable legal obstacles for the Mining Company to obtain the above Major Licenses after Completion. As confirmed by the Vendor, the production of the Mining Company is currently suspended.

If any of the Major Licenses cannot be obtained by the Mining Company, or if any of the Major License is revoked or suspended, or if the Mining Company fails to renew any of the Major Licenses upon the expiry, the business and operation of the Mining Company may be suspended or materially and adversely affected.

Adverse weather conditions could materially and adversely affect the normal business operations

Adverse weather conditions, such as heavy rainfall, may require the Mining Company to evacuate personnel or curtail operations and may also result in damage to the Mines, equipment or facilities of the Mining Company, which could result in the temporary suspension of operations or a reduction in the Mining Company's productivity. During periods of curtailed activity due to adverse weather conditions, the Mining Company may continue to incur operating expenses while production has slowed down or ceased altogether. Any damages to the projects or delays in the operations of the Mining Company caused by severe weather could materially and adversely affect the Mining Company's business and results of operations.

The mining operations of the Mining Company have a finite life and eventual closure of its operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards

The existing mining operations of the Mining Company have a finite life and will eventually close. The key costs and risks for mine closures are (i) long-term management of permanent engineered structures and acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is dependent on the ability to successfully implement negotiated agreements with the relevant government, community and employees. The consequences of a difficult closure range from increasing closure costs and handover delays to ongoing environmental rehabilitation costs and damage to the reputation of the Mining Company if desired outcomes cannot be achieved, which could materially and adversely affect the business and results of operations of the Mining Company.

Security issues of the Mining Company

According to the management of the Mining Company, the Mining Company experienced continued security breaches, theft and other local community issues (the "**Security Issues**") at the Mines in the past and the amount of the damages could not be assessed according to the Vendor. The Board was aware of the Security Issues when contemplating the proposed Acquisition and it understands that the Mining Company has already contacted and discussed with the relevant local government authorities to ensure that the Security Issues would be resolved in the future. The Mining Company employed 60 former People's Liberation Army soldiers as security guards with an aim to resolving the Security Issues and to resume productions of the Mining Company. The relevant local government authorities have also taken various steps to enhance the security control. Those steps include (i) the police department has increased the number of duty officers at the police station where the Mines are located; (ii) the police department has assigned two experienced police officers to station at the security post of the Mines and to assist in managing the security team of the Mines; and (iii) an open trial will be held in some areas of the Mines for the purpose of deterring crimes.

Notwithstanding the measures taken by the Mining Company and the local government authorities, there is no guarantee that the Security Issues or any other similar incidents would not happen again in the future. However, the Mining Company considers that the relevant measures are sufficient at present.

Fluctuation in the price and demand of gold metal

The price of gold metal in the PRC is easily influenced by the price of gold metal in the international market. The Directors consider that there are many factors which may influence the price and demand of gold metal in the international market, including but not limited to the stability of the international economic situation and the fluctuation of the global political and social condition, which are beyond the control of the Enlarged Group. There is a possibility that the prices of commodities may fall to lower levels and the future price movement of gold metal (whether upward or downward) is unpredictable as at this moment.

Uncertainties in gold exploitation

The amount of gold reserves in the Mines may be different from the estimation by the Technical Adviser and there is no assurance that the exploitation work to be performed by the Enlarged Group can lead to discovery of economically feasible reserves.

Validity of the Mining License

Despite the fact that the Mining Company has obtained the Mining License for conducting mining activity at the Mines during the licensed period, the Mining License is subject to renewal and the Mining Company may not be able to renew or extend its mining rights. The current term of the Mining License will expire in January 2010 and the renewal application is in progress. In the event that the Mining Company fails to renew the Mining License upon its expiration, the operation and financial performance of the Enlarged Group will be adversely affected.

The Valuation

The Valuation involves various assumptions and therefore the Valuation may or may not effectively reflect the true fair value of the Mines.

New business for the Group

The Acquisition constitutes an investment in a new business sector to the Group and the Enlarged Group may not be able to control the related operational risks of this new business. In this regard, the Enlarged Group will establish an experienced management team to oversee the operations of the Mining Company. In addition, the Directors shall review the qualification and capabilities of the existing management of the Mining Company and shall re-appoint the existing management of the Mining Company or appoint additional expertise as and when necessary to continue with the normal operations of the Mining Company, the Directors therefore expect that the Enlarged Group shall have sufficient expertise for the management and operation of the Mining Company after Completion.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment. Natural resources production projects may not be completed as planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Thus, the actual capital investment for operation and development of the Mining Company may significantly exceed the Enlarged Group's budgets because of factors beyond the Enlarged Group's control.

Conclusion

The Acquisition will increase the level of risk exposure of the Enlarged Group. Shareholders should be aware of the aforementioned risk factors, which may not be exhaustive, when considering the Acquisition.

(II) CAPITAL INCREASE

As at the Latest Practicable Date, the authorised share capital of the Company was HK$600,000,000 divided into 6,000,000,000 Shares. To provide for flexibility and accommodate future expansion and growth of the Company, a resolution will be proposed at the EGM to approve the increase in the authorised share capital of the Company from HK$600,000,000 to HK$800,000,000 by the creation of an additional 2,000,000,000 Shares. The Directors have no present intention to allot and issue new Shares other than the possible issue of the Conversion Shares under the Convertible Bonds. The Capital Increase is conditional on the Shareholders' approval by an ordinary resolution at the EGM.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

The EGM will be held to consider and, if thought fit, pass the ordinary resolutions to approve the Agreements and the transactions contemplated thereunder, and the Capital Increase. As no Shareholder has material interest in each of the Agreements and the Capital Increase, no Shareholder is required to abstain from voting at the EGM in respect of the Agreements and the transactions contemplated thereunder, and the Capital Increase.

As completion of the Acquisition is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

EGM

A notice convening the EGM to be held at Conference Room, Room 3401-08, 34th Floor, Office Tower, Convention Plaza, 1 Harbour Room, Wanchai, Hong Kong on 19 February 2010 at 9:30 a.m. or any adjournment thereof is set out from pages 380 to 381 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

The Board considers that the terms of the Agreements and the transactions contemplated thereunder, including the issue of the Consideration Shares and the Convertible Bonds, and the Capital Increase are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. In addition, the Board considers that the Acquisition and the Capital Increase are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of each of the ordinary resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

By order of the Board
Global Green Tech Group Limited
Yip Chung Wai, David
Executive Director

A. SUMMARY OF FINANCIAL STATEMENTS FOR LAST THREE FINANCIAL YEARS AND THE SIX MONTHS ENDED 30 JUNE 2009

Set out below is a summary of the financial results and assets and liabilities of the Group as extracted from the annual reports of the Company for each of the three years ended 31 December 2008 and the interim report of the Company for the six months ended 30 June 2009:

Consolidated Income Statement

For the three years ended 31 December 2008 and the six months ended 30 June 2009:

	For the six months ended 30 June	For the year ended 31 December		
	2009	**2008**	**2007**	**2006**
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	218,978	1,339,707	1,071,833	846,916
Cost of sales	(181,463)	(846,911)	(526,571)	(475,154)
Gross profit	37,515	492,796	545,262	371,762
Valuation gain on investment properties	–	–	3,013	–
Other revenue and net income	16,157	160,531	107,461	83,669
Selling and distribution expenses	(32,125)	(100,267)	(83,782)	(50,890)
General and administrative expenses	(197,128)	(404,408)	(138,996)	(89,411)
Gain on disposal of a subsidiary	474	–	–	–
Profit/(Loss) from operations	(175,107)	148,652	432,958	315,130
Finance costs	12,353	(63,592)	(14,377)	(13,770)
Profit/(Loss) before taxation	(162,754)	85,060	418,581	301,360
Income tax	(6,001)	(51,495)	(60,122)	(30,219)
Profit/(Loss) for the year/period	(168,755)	33,565	358,459	271,141
Dividends	–	–	–	–

Consolidated Balance Sheet

As at 30 June 2009, 31 December 2008, 2007 and 2006:

	For the six months ended 30 June	For the year ended 31 December		
	2009	2008	2007	2006
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Goodwill	645,566	646,566	459,428	–
Property, plant and equipment	1,460,091	1,484,614	1,085,699	940,350
Investment properties	25,151	25,181	23,500	19,240
Prepaid lease payments for land under operating leases	137,837	178,602	172,964	128,255
Intangible assets	32,162	36,655	27,563	32,791
Deposits for acquisition of property, plant and equipment	315,128	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	–	–	14,070	13,272
Other deposits and club debenture	160,350	170	170	170
Deferred tax assets	–	–	–	7,355
	2,776,285	2,546,412	1,957,131	1,387,558
Current assets				
Prepaid lease payments for land under operating leases	3,117	3,117	2,966	2,951
Trading securities	40,294	29,995	198,786	176,276
Inventories	67,945	94,880	51,217	33,200
Trade and other receivables	89,414	240,492	166,762	129,369
Loan receivables	44,907	63,142	185,437	23,000
Fixed bank deposits	5,000	5,000	42,733	–
Cash and cash equivalents	74,220	187,919	472,989	405,181
	324,897	624,545	1,120,890	769,977

	For the six months ended 30 June	For the year ended 31 December		
	2009	2008	2007	2006
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables	(84,441)	(81,501)	(163,572)	(183,989)
Convertible preference shares	–	(199,431)	–	–
Bank loans	(150,000)	(180,000)	(60,000)	(60,000)
Bank loans (secured)	(158,345)	–	–	–
Obligations under finance leases	(17)	(32)	(39)	(39)
Tax payables	(29,197)	(21,820)	(44,885)	(31,143)
	(422,000)	(482,784)	(268,496)	(275,171)
Net current assets/(liabilities)	(97,103)	141,761	852,394	494,806
Total assets less current liabilities	2,679,182	2,688,173	2,809,525	1,882,364
Non-current liabilities				
Loan-term bank loans	–	–	(180,000)	(140,000)
Obligations under finance leases	–	(5)	(34)	(73)
Deferred tax liabilities	(1,106)	(1,106)	(826)	(430)
Convertible preference shares	–	–	(134,191)	–
	(1,106)	(1,111)	(315,051)	(140,503)
Net assets	2,678,076	2,687,062	2,494,474	1,741,861
Share capital	198,758	133,321	118,334	104,658
Reserves	2,416,151	2,486,887	2,255,459	1,629,249
Total equity attributable to equity holders of the Company	2,614,909	2,620,208	2,373,793	1,733,907
Minority interests	63,167	66,854	120,681	7,954
Total equity	2,678,076	2,687,062	2,494,474	1,741,861

Note: *No qualified opinion has been issued by the Company's auditors in respect of the financial statements of the Group for each of the three years ended 31 December 2008.*

B. ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below are the audited financial statements of the Group together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2008:

Consolidated Income Statement
For the year ended 31 December 2008

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

Consolidated Balance Sheet
As at 31 December 2008

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

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

Balance Sheet
As at 31 December 2008

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

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

b) Basis of preparation of the financial statements

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

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

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

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

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

The preparation of financial statements are conformity to HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the 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 interest that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

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

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 charge 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

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

6. OTHER REVENUE AND NET INCOME

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

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

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

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

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

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

Note 1: Appointed on 15/5/2008.

Note 2: Retired on 15/5/2008.

For the year ended 31 December 2007

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

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

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

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

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

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

12. DIVIDENDS

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

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

13. EARNINGS PER SHARE

a) Basic earnings per share

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

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

b) Diluted earnings per share

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

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

14. SEGMENT REPORTING

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

Business segments

The Group comprises the following main business segments:

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

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

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)

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

Geographical segments

The Group operates in two main geographical areas:

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

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

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

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

15. GOODWILL

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

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

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

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	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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	**2007**
	HK$'000	*HK$'000*
At 1 January	23,500	19,240
Exchange adjustment	1,681	1,247
Valuation gain on investment properties	–	3,013
At 31 December	25,181	23,500

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

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

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

18. PREPAID LEASE PAYMENTS FOR LAND UNDER OPERATING LEASES

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

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

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

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

19. INTANGIBLE ASSETS

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

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

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

20. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

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

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

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

21. DEPOSITS FOR ACQUISITION OF INTANGIBLE ASSETS

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

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

22. OTHER DEPOSITS AND CLUB DEBENTURE

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

23. INVESTMENTS IN SUBSIDIARIES

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

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

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

Name	**Place of incorporation/ establishment**	**Principal activities/ place of operation**	**Particulars of issued and paid-up share/ contributed capital**	**Interest held**
Bio Beauty Group Ltd.*	The Cayman Islands	Investment holding/ Hong Kong	90,850,000 ordinary shares of HK$0.1 each	93.2%#
Global Success Properties Limited	The British Virgin Islands ("BVI")	Investment holding/ Hong Kong	200 ordinary shares of US$1 each	100%#
GCC Finance Company Limited	Hong Kong	Provision of loan financing services/ Hong Kong	2 ordinary shares of HK$1 each	100%#
Global Power and Energy Company Limited	Hong Kong	Energy recycling business/ Hong Kong	10,000 ordinary shares of HK$1 each	100%#
Global Chemicals (China) Company Limited *(Note (i))*	Hong Kong	Trading of household products and industrial products/ Hong Kong	10,000 ordinary shares of HK$1 each and 1,000,000 non-voting deferred shares of HK$1 each	100%
Global Cosmetics (HK) Company Limited*	Hong Kong	Investment holding and trading of cosmetics and skincare products/ Hong Kong	40,000,000 ordinary shares of HK$1 each	100%
Global Idea (Int'l) Company Limited*	Hong Kong	Trading of cosmetics and skincare products/ Hong Kong	1,000 ordinary shares of HK$1 each	100%
Dongguan Proamine Chemical Co., Limited *(Note (ii))*	PRC	Manufacture and sale of household products and industrial products/ PRC	Approximately HK$111,319,000	100%
Global Cosmetics (China) Co., Limited* *(Note (iii))*	PRC	Manufacture and sale of cosmetics and skincare products/PRC	HK$160,000,000	100%
Dongguan Gao Bao Chemical Co., Limited *(Note (iv))*	PRC	Manufacture and sale of household products and industrial products/ PRC	RMB7,761,000	100%

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

25. INVENTORIES

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

26. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

27. LOAN RECEIVABLES

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

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

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

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

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

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

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

28. FIXED BANK DEPOSITS

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

29. CASH AND CASH EQUIVALENTS

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

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

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

30. TRADE AND OTHER PAYABLES

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

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

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

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

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

31. CONVERTIBLE PREFERENCE SHARES

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

The REPS contains the following major terms:

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

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

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

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

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

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

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

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

32. LONG-TERM BANK LOANS

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

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

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

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

The Group's borrowings are denominated in HK$.

33. OBLIGATIONS UNDER FINANCE LEASES

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

The Group

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

34. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

c) Fair value of share options and assumptions

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

Fair value of share options and assumptions

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

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

35. DEFERRED TAX

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

Deferred tax assets

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

Deferred tax liabilities

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

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

36. SHARE CAPITAL

a) Authorised and issued share capital

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

b) Exercise of warrants

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

c) **Exercise of share options**

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

d) **Repurchase of shares**

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

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

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

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

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

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

f) Capital management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

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

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

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

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

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

a) Credit risk

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

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

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

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

b) Liquidity risk

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

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

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

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

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

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

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

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

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

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

41. FINANCIAL GUARANTEE

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

42. POST BALANCE SHEET EVENTS

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

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

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

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

43. COMPARATIVE FIGURES

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

44. APPROVAL OF FINANCIAL STATEMENTS

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

A. INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES

Borrowings

As at the close of business on 31 December 2009 being the latest practicable date for 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 31 December 2009, the Enlarged Group had aggregate outstanding borrowings of approximately HK$215.4 million, comprising finance lease of approximately HK$7,480 which was secured by the assets under finance lease, and bank loans of approximately HK$215.4 million which were secured by properties of the indirectly-wholly owned PRC subsidiaries of the Company.

Saved as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, as at the close of business on 31 December 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 31 December 2009, the Enlarged Group did not have any material contingent liabilities.

Securities and charges

As at the close of business on 31 December 2009, the Enlarged Group's aggregate banking facilities in respect of the bank borrowings were approximately HK$215.4 million which were secured by properties provided by the PRC subsidiaries of the Company. Save as disclosed above, the Enlarged Group did not have any mortgages or charges as at the close of business on 31 December 2009.

As at the Latest Practicable Date, the Directors confirmed that there was no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 December 2009.

B. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

C. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseen circumstances and taking into consideration the financial resources available to the Group, including its internally generated funds, and existing bank financing the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

D. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As extracted from the 2009 Interim Report, the Group, in line with the two-pronged strategy employed for a long time, will strive to maintain a reasonable profit margin for its traditional industrial products businesses as well as to develop the growth driven cosmetics and skincare products business. These businesses provide stable income for the Group to fund new business developments with promising potential. At the same time, the Group will also capture the tremendous opportunities in the green energy recycling business and biotech field.

For the prospects of the existing Group, please refer to the management discussion and analysis of the Group for the six months ended 30 June 2009 as set out in Appendix VII to this circular.

In respect of the Acquisition, as mentioned under the section headed "Reasons for the Acquisition" in the "Letter from the Board" and as referred to the statistics contained in the Valuation Report, the Directors consider that the prospects of the gold mining industry is promising. Recently, the PRC government has also decisively promulgated a series of economic stimulus measures and various measures have been put in place to stimulate domestic demand and stabilise market conditions. All these measures would likely to have a positive impact on the gold mining industry in the PRC.

Overall, the Directors consider that the Acquisition will enable the Enlarged Group to diversify its current business to participate in the gold mining industry, which is expected to broaden the Enlarged Group's income base and improve its financial performance.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Cachet Certified Public Accountants Limited, in respect of the accountants' report on Westralian Resources Pty Limited and its subsidiary as set out in this appendix.

CACHET

Cachet Certified Public Accountants Limited

德揚會計師事務所有限公司

13F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong

香港灣仔告士打道128號祥豐大廈13F座

1 February 2010

The Board of Directors
Global Green Tech Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Westralian Resources Financial Information") relating to Westralian Resources Pty Limited ("Westralian Resources") and its subsidiary (hereinafter collectively referred to as the "Westralian Resources Group") for the years ended 30 June 2007, 2008 and 2009 and for the period from 1 July 2009 to 30 September 2009 (the "Relevant Periods"), including the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Westralian Resources Group for the Relevant Periods and the statements of the financial position of the Westralian Resources Group and Westralian Resources as at 30 June 2007, 2008 and 2009 and 30 September 2009 together with the notes thereto, and on the financial information of the Westralian Resources Group for the period from 1 July 2008 to 30 September 2008 (the "Westralian Resources September 2008 Comparative Financial Information"), including the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of cash flow for the period from 1 July 2008 to 30 September 2008 together with the notes thereto, prepared for inclusion in a circular (the "Circular") dated 1 February 2010 issued by Global Green Tech Group Limited (the "Company") in connection with the proposed acquisition (the "Acquisition") of the entire issued share capital of Westralian Resources. Pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") entered into between the Company and Cosmos Castle Management Limited (the "Vendor") dated 1 December 2009 and a supplementary agreement between the Company and the Vendor dated 9 December 2009, the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the entire issued share capital of Westralian Resources (the "Sale Shares") and all the amounts due and payable by Westralian Resources (the "Sale Loan") to the Vendor as at the date of completion of the Sale and Purchase Agreement at a total consideration of HK$1,200 million (the "Consideration"). Upon completion of the Sale and Purchase Agreement, the Company will hold the 100% equity interests in Westralian Resources and will indirectly own the 80% equity interests in Hunan Westralian Mining Company Limited ("湖南西澳礦業有限公司", "Hunan Westralian").

The Acquisition constitutes a very substantial acquisition of the Company under the Rules (the "Listing Rules") Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is subject to the approval by the shareholders of the Company at an extraordinary general meeting of the Company to be convened and held.

Westralian Resources was incorporated in Australia with limited liability on 26 November 2003. The principle activity of Westralian Resources is investment holding. Westralian Resources, through Hunan Westralian, is engaged principally in gold exploration, development and mining in the People's Republic of China (the "PRC") during the Relevant Periods.

During the Relevant Periods, Westralian Resources has the following subsidiary, which is a Sino-foreign co-operative joint venture with limited liability.

Name of subsidiary	Place and date of establishment	Registered capital/ paid up capital	Attributable equity interest directly held by Westralian Resources	Principal activity
Hunan Westralian Mining Co., Limited 湖南西澳礦業有限公司 ("Hunan Westralian")	People's Republic of China (the "PRC")/ 6 July 2005	US$29,700,058	80%	Gold exploration, development and mining in the PRC

The financial statements of Westralian Resources were audited by Messrs Rothsay, Chartered Accountants and Certified Public Accountants in Australia, for the years ended 30 June 2007, 2008 and 2009. No audited financial statements have been prepared for Westralian Resources for the three months ended 30 September 2009.

Hunan Westralian was established in the PRC on 6 July 2005 and has its statutory financial statements prepared in accordance with the accounting principles and regulations applicable to enterprise established in the PRC. These statutory financial statements were audited by 懷化利華有限責任會計師事務所 (literally translated as Huaihua Lihua Certified Public Accountants), 湖南天華會計師事務所 (literally translated as Hunan Tianhua Certified Public Accountants) and 湖南泰信會計師事務所有限公司 (literally translated as Hunan Taixin Certified Public Accountants) in the PRC for the years ended 31 December 2006, 2007 and 2008, respectively. Hunan Westralian also has its financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") (which also include all International Financial Reporting Standards and International Accounting Standards ("IASs") and Interpretations, issued by the International Accounting Standards Board (the "IASB"). These financial statements were audited by Deloitte Touche Tohmatsu CPA Limited Shenzhen Branch for the year ended 30 June 2007 and by Mazars CPA Limited for the year ended 30 June 2008, where the presentation of such financial statements is for the purpose of the preparation of the consolidated financial statements of China Goldmines plc (the former ultimate holding company of Westralian Resources). No audited financial statements have been prepared for Hunan Westralian for the three months ended 30 September 2009.

For the purpose of this report, the directors of Westralian Resources have prepared the consolidated financial statements of the Westralian Resources Group for the Relevant Periods (the "Westralian Resources Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Westralian Resources Financial Information as set out in this report has been prepared from the Westralian Resources Underlying Financial Statements, after making such adjustments where appropriate. The directors of Westralian Resources are responsible for the preparation and the true and fair presentation of the Westralian Resources Financial Information. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial information that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In preparing the Westralian Resources Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are also responsible for the contents of the Circular in which this report is included.

It is our responsibility to form an independent opinion, based on our examination, on the Westralian Resources Financial Information and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS

For the purpose of this report, we have carried out an independent audit on the Westralian Resources Financial Information for the Relevant Periods in according with the Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and Reporting Accountant" issued by the HKICPA.

PROCEDURES PERFORMED IN RESPECT OF THE WESTRALIAN RESOURCES SEPTEMBER 2008 COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have carried out a review of the Westralian Resources September 2008 Comparative Financial Information for which the directors of Westralian Resources are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on such information based on our review. A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance than we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Westralian Resources September 2008 Comparative Financial Information.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to Note 2.1 to the Westralian Resources Financial Information which indicates that the Westralian Resources Group had a deficiency in assets of HK$48,855,886 as at 30 September 2009. The Westralian Resources Financial Information have been prepared on a going concern basis, the validity of which depends upon the fact that Westralian Resources' current ultimate holding company has agreed not to demand the repayment of the amount (the "Sale Loan") due to it until the Westralian Resources Group is in a position to do so. The Company has also agreed not to demand the repayment of the Sale Loan (to be transferred by the current ultimate holding company to the Company as part of the Acquisition) until the Westralian Resources Group is in a position to do so. The Westralian Resources Financial Information do not include any adjustments that would result from a failure to obtain such continuous financial support, which indicates the existence of a material uncertainty which may cast significant doubt about the Westralian Resources Group's ability to continue as a going concern. Should the Westralian Resources Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts and to provide for further liabilities which might arise. We consider that the fundamental uncertainty has been properly disclosed in the Westralian Resources Financial Information. Our report is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

OPINION IN RESPECT OF THE RELEVANT PERIODS

In our opinion, the Westralian Resources Financial Information together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of the Westralian Resources Group and Westralian Resources as at 30 June 2007, 2008 and 2009 and 30 September 2009, and of the consolidated loss and cash flows of the Westralian Resources Group for the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE WESTRALIAN RESOURCES SEPTEMBER 2008 COMPARATIVE FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Westralian Resources September 2008 Comparative Financial Information does not give a true and fair view of consolidated results and cash flows of the Westralian Resources Group for the three months ended 30 September 2008 in accordance with Hong Kong Financial Reporting Standards.

FINANCIAL INFORMATION

The following is the Westralian Resources Financial Information of the Westralian Resources Group for each of the Relevant Periods and as at 30 June 2007, 2008 and 2009 and 30 September 2009, prepared on the basis set out in note 2 below.

Consolidated statements of income of the Westralian Resources Group

		Year ended 30 June			Three months ended 30 September	
		2007	2008	2009	2008	2009
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
		Audited	Audited	Audited	Unaudited	Audited
REVENUE	4	–	4,128,154	2,420,311	–	–
COST OF SALES		–	(5,078,199)	(2,995,706)	–	–
GROSS LOSS		–	(950,045)	(575,395)	–	–
Other income and gains	4	53,807	175,366	1,401,203	110,246	285,500
Administrative and other operating expenses		(3,067,163)	(16,444,664)	(35,437,652)	(11,335,182)	(10,643,568)
LOSS BEFORE TAX	6	(3,013,356)	(17,219,343)	(34,611,844)	(11,224,936)	(10,358,068)
Tax	9	–	–	–	–	–
LOSS FOR THE YEAR/PERIOD		(3,013,356)	(17,219,343)	(34,611,844)	(11,224,936)	(10,358,068)
Attributable to:						
Equity holders of Westralian Resources	10	(2,411,599)	(13,590,980)	(27,574,762)	(8,979,504)	(8,286,507)
Non-controlling interests		(601,757)	(3,628,363)	(7,037,082)	(2,245,432)	(2,071,561)
		(3,013,356)	(17,219,343)	(34,611,844)	(11,224,936)	(10,358,068)

Consolidated statements of comprehensive income of the Westralian Resources Group

		Year ended 30 June			Three months ended 30 September	
		2007	**2008**	**2009**	**2008**	**2009**
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
		Audited	Audited	Audited	Unaudited	Audited
Loss for the year/period		(3,013,356)	(17,219,343)	(34,611,844)	(11,224,936)	(10,358,068)
Exchange difference arising on translation of financial statements of foreign subsidiary		(1,543,348)	(5,484,317)	49,059,438	47,563,087	(27,341,443)
Total comprehensive income for the year/period, net of tax		(4,556,704)	(22,703,660)	14,447,594	36,338,151	(37,699,511)
Attributable to:						
Equity holders of Westralian Resources	10	(3,954,947)	(19,075,297)	7,410,512	34,092,717	(35,627,950)
Non-controlling interests		(601,757)	(3,628,363)	7,037,082	2,245,434	(2,071,561)
		(4,556,704)	(22,703,660)	14,447,594	36,338,151	(37,699,511)

Consolidated statements of financial position of the Westralian Resources Group

		30 June			30 September
		2007	2008	2009	2009
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
		Audited	Audited	Audited	Audited
NON-CURRENT ASSETS					
Property, plant and equipment	12	1,683,787	6,691,842	16,577,406	16,183,416
Exploration and evaluation assets	13	10,866,651	18,865,866	34,497,590	35,182,656
Intangible assets	14	–	212,967,514	231,721,613	232,274,182
Deposit for mining rights	15	2,053,750	–	–	–
Deposit paid	16	–	4,067,081	–	–
Land compensation costs	17	–	943,424	3,988,506	3,410,498
Other assets		–	2,385,348	2,504,036	2,482,362
Total non-current assets		14,604,188	245,921,075	289,289,151	289,533,114
CURRENT ASSETS					
Inventories	18	–	3,946,103	9,763,193	1,312,412
Prepayments and other receivables	19	1,006,077	729,947	839,295	810,466
Cash and bank balances	20	3,622,868	31,335,005	7,954,701	3,551,533
Total current assets		4,628,945	36,011,055	18,557,189	5,674,411
CURRENT LIABILITIES					
Other payables and accruals		439,768	9,289,975	21,168,370	1,942,300
Tax payable		–	–	–	–
Total current liabilities		439,768	9,289,975	21,168,370	1,942,300
NET CURRENT ASSETS/(LIABILITIES)		4,189,177	26,721,080	(2,611,181)	3,732,111
TOTAL ASSETS LESS CURRENT LIABILITIES		18,793,365	272,642,155	286,677,970	293,265,225
NON-CURRENT LIABILITIES					
Due to immediate holding company and ultimate holding company	21	21,693,674	298,246,124	297,834,345	342,121,111
NET LIABILITIES		(2,900,309)	(25,603,969)	(11,156,375)	(48,855,886)
DEFICIENCY IN ASSETS					
Equity attributable to equity holder of the parent					
Issued capital	24	446,560	446,560	446,560	446,560
Reserves	25(a)	(4,352,493)	(23,427,790)	(1,943,114)	(37,571,064)
		(3,905,933)	(22,981,230)	(1,496,554)	(37,124,504)
Non-controlling interests		1,005,624	(2,622,739)	(9,659,821)	(11,731,382)
Total deficiency in assets		(2,900,309)	(25,603,969)	(11,156,375)	(48,855,886)

Consolidated statements of changes in equity of the Westralian Resources Group

	Attributable to equity holders of the parent					
	Issued capital	**Exchange reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited	Audited
At 1 July 2006	446,560	197,748	(595,294)	49,014	1,607,381	1,656,395
Total comprehensive income for the year	–	(1,543,348)	(2,411,599)	(3,954,947)	(601,757)	(4,556,704)
At 30 June 2007 and at 1 July 2007	446,560	(1,345,600)	(3,006,893)	(3,905,933)	1,005,624	(2,900,309)
Total comprehensive income for the year	–	(5,484,317)	(13,590,980)	(19,075,297)	(3,628,363)	(22,703,660)
At 30 June 2008 and at 1 July 2008	446,560	(6,829,917)	(16,597,873)	(22,981,230)	(2,622,739)	(25,603,969)
Total comprehensive income for the year	–	49,059,438	(27,574,762)	21,484,676	(7,037,082)	14,447,594
At 30 June 2009 and at 1 July 2009	446,560	42,229,521	(44,172,635)	(1,496,554)	(9,659,821)	(11,156,375)
Total comprehensive income for the period	–	(27,341,443)	(8,286,507)	(35,627,950)	(2,071,561)	(37,699,511)
At 30 September 2009	446,560	14,888,078	(52,459,142)	(37,124,504)	(11,731,382)	(48,855,866)

Consolidated statements of cash flow of the Westralian Resources Group

	Year ended 30 June			Three months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax	(3,013,356)	(17,219,343)	(34,611,844)	(11,224,936)	(10,358,068)
Adjustments for:					
Depreciation	335,565	475,525	2,041,463	227,185	796,676
Write-off of exploration and evaluation assets	–	–	691,233	–	–
Loss on disposal of property, plant and equipment	1,285	115,859	23,976	–	28,816
Amortisation of land compensation cost credited to capitalised development costs	–	52,845	1,147,103	165,116	583,498
Interest income	(53,807)	(175,366)	(127,579)	(31,590)	(2,946)
Receipt of sales of goods credited to intangible assets	–	–	19,273,464	–	9,304,302
	(2,730,313)	(16,750,480)	(11,562,184)	(10,864,225)	352,278
Decrease/(increase) in inventories	47,472	(3,946,103)	(5,800,074)	(258,224)	8,447,005
Decrease/(increase) in prepayments and other receivables	(964,487)	105,150	(106,200)	56,291	28,504
Increase in other assets	–	(2,385,348)	(114,723)	–	–
Increase/(decrease) in deposit paid	–	(4,067,081)	4,084,619	(4,232,204)	–
Increase/(decrease) in other payables and accruals	400,332	8,892,381	11,838,335	6,601,879	(17,576,478)
Cash used in operations	(3,246,996)	(18,151,481)	(1,660,227)	(8,696,483)	(8,748,691)
Interest received	53,807	175,366	127,579	31,590	2,946
Net cash outflow from operating activities	(3,193,189)	(17,976,115)	(1,532,648)	(8,664,893)	(8,745,745)

Consolidated statements of cash flow of the Westralian Resources Group (Continued)

	Year ended 30 June			Three months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of intangible assets	–	(210,913,764)	(37,673,528)	(6,557,823)	(11,862,568)
Deposit paid for mining rights	(2,053,750)	–	–	–	–
Acquisition of property, plant and equipment	(1,490,285)	(5,368,551)	(11,933,478)	(10,611,940)	(2,217,736)
Acquisition of exploration and evaluation assets	(7,286,845)	(6,922,185)	(16,061,402)	(5,333,464)	(937,002)
Proceeds from disposal of property, plant and equipment	247,746	–	2,105	–	–
Payment for land compensation costs	–	(996,269)	(4,185,811)	(977,327)	(40,459)
Net cash outflow from investing activities	(10,583,134)	(224,200,769)	(69,852,114)	(23,480,554)	(15,057,765)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from immediate holding company and ultimate holding company	13,154,650	269,473,262	48,636,655	31,986,997	19,703,613
Net cash inflow from financing activities	13,154,650	269,473,262	48,636,655	31,986,997	19,703,613
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(621,673)	27,296,378	(22,748,107)	(158,450)	(4,099,897)
Effect of foreign exchange rate changes, net	(624,007)	415,759	(632,197)	142,969	(303,271)
Cash and cash equivalents at beginning of year/period	4,868,548	3,622,868	31,335,005	31,335,005	7,954,701
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	3,622,868	31,335,005	7,954,701	31,319,524	3,551,533
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	3,622,868	31,335,005	7,954,701	31,319,524	3,551,533

Statements of financial position of Westralian Resources

		30 June			30 September
		2007	**2008**	**2009**	**2009**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
		Audited	Audited	Audited	Audited
NON-CURRENT ASSETS					
Interest in a subsidiary	22	20,427,541	242,907,150	242,771,455	242,828,359
Loan to a subsidiary	23	–	36,126,500	81,650,728	108,093,767
Total non-current assets		20,427,541	279,033,650	324,422,183	350,922,126
CURRENT ASSETS					
Cash and bank balances		27,209	2,643,441	4,990	5,131
Total current assets		27,209	2,643,441	4,990	5,131
NON-CURRENT LIABILITIES					
Due to immediate holding company and ultimate holding company	21	21,693,674	298,246,124	297,834,345	342,121,111
Total non-current liabilities		21,693,674	298,246,124	297,834,345	342,121,111
Net assets/(liabilities)		(1,238,924)	(16,569,033)	26,592,828	8,806,146
EQUITY/(DEFICIENCY IN ASSETS)					
Issued capital	24	446,560	446,560	446,560	446,560
Reserves	25(b)	(1,685,484)	(17,015,593)	26,146,268	8,359,586
Total equity/(deficiency in assets)		(1,238,924)	(16,569,033)	26,592,828	8,806,146

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Westralian Resources Pty Limited ("Westralian Resources") is a limited liability company incorporated in Australia on 26 November 2003. The registered office of Westralian Resources is situated at Level 1, 68 South Terrace, South Perth WA 6151.

The principal activity of Westralian Resources is investment holding. Hunan Westralian Mining Company Limited ("Hunan Westralian"), a subsidiary of Westralian Resources, is principally engaged in gold exploration, development and mining in the PRC. Westralian Resources and Hunan Westralian are herein referred as the Westralian Resources Group.

The immediate holding company of Westralian Resources was Global Resource Ventures Limited ("GRV"), a limited liability company incorporated in Australia. In the opinion of the directors, during the Relevant Periods up to 29 September 2009, the ultimate holding company of Westralian Resources was China Goldmines plc ("CGM"), a limited liability company incorporated in the United Kingdom, and the shares of CGM are listed on the Alternative Investment Market of The London Stock Exchange.

On 29 September 2009, GRV disposed of the entire equity interests in Westralian Resources to Cosmos Castle Management Limited ("Cosmos"), which is incorporated in the British Virgin Islands. In the opinion of the directors, Cosmos was the ultimate holding company of Westralian Resources with effect from 29 September 2009 and up to the date of this report.

2.1 BASIS OF PREPARATION

These Westralian Resources Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. In addition, the Westralian Resources Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These Westralian Resources Financial Information are presented in Hong Kong dollars ("HK$").

Despite the fact that the Westralian Resources Group had a deficiency in assets of HK$48,855,886 as at 30 September 2009, the Westralian Resources Financial Information has been prepared on the basis that Westralian Resources will continue to operate as a going concern. Such going concern basis is based upon the fact that Westralian Resources' current ultimate holding company, Cosmos, has agreed not to demand repayment of the amount (the "Sale Loan") due to it until the Westralian Resources Group is in a position to do so. Global Green Tech Group Limited ("the Company") has also agreed not to demand the repayment of the Sale Loan (to be transferred by the current ultimate holding company to the Company as part of the Acquisition) until the Westralian Resources Group is in a position to do so.

Basis of consolidation

The consolidated Westralian Resources Financial Information includes the financial information of the Westralian Resources Group for the years ended 30 June 2007, 2008, 2009 and for the three months ended 30 September 2008 and 2009. The results of the subsidiary are consolidated from the date of acquisition, being the date on which the Westralian Resources Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Westralian Resources Group are eliminated on consolidation in full.

2.2 EARLY ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs. The Westralian Resources Group has early adopted these new and revised HKFRSs except for those listed in note 2.3 below in preparing the Westralian Resources Financial Information. The adoption of these new and revised HKFRSs did not have any significant impact on its results of operations and financial position.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Westralian Resources Group has not early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial information:

HKAS 24 (Revised)	Related Party Disclosures [1]
HKFRS 9	Financial Instruments [2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [3]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to reviewing inconsistencies and clarify wording.

[1] *Effective for annual periods beginning on or after 1 January 2010*
[2] *Effective for annual periods beginning on or after 1 January 2013*
[3] *Effective for annual periods beginning on or after 1 July 2010*

* *Improvements to HKFRSs issued on May 2009, contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16. These amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.*

The Westralian Resources Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the certain new and revised HKFRSs may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Westralian Resources Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies Westralian Resources controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in Westralian Resources' statements of income to the extent of dividends received and receivable. Westralian Resources' interests in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined net of any depreciation/amortisation had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Westralian Resources Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Westralian Resources Group; (ii) has an interest in the Westralian Resources Group that gives it significant influence over the Westralian Resources Group; or (iii) has joint control over the Westralian Resources Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Westralian Resources Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Plant and machinery	20%
Furniture and equipment	20%
Motor vehicles	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Exploration for and evaluation of mineral resources

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation assets are transferred to either mining rights under intangible assets or property, plant and equipment and are amortised or depreciated based on the accounting policy as stated in either "mining rights" or "property, plant and equipment", respectively. Amortisation or depreciation is not charged on costs in respect of areas of interest in the development phase until production. Amortisation or depreciation will be charged over the mine's estimated useful lives using the units of production method calculated on the basis of proven and probable reserves. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Intangible assets

Mining rights

Mining rights, including transferred exploration and evaluation assets, are stated at cost less accumulated amortisation and any impairment losses. The mining rights will be amortised on the unit of production method over their estimated useful lives once commercial production has commenced in the relevant area of interest. The useful lives of the mining rights are reviewed annually in accordance with the production plans of the Westralian Resources Group and the proven and probable reserves of the mines. Mining rights are written off to the income statement if the mining property is abandoned.

Capitalisation of costs

Research costs are expensed as incurred. Cost incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and Westralian Resources has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

During the pre-production phase, any cost of materials, direct labour and an appropriate proportion of overheads are capitalised as development costs and amortisation of the costs carried forward for the pre-production phase is not being charged until the commencement of commercial production.

Land compensation costs

Land compensation costs are stated at cost less accumulated amortisation and any impairment losses.

Land compensation costs represent the compensation paid to inhabitants for relocating from the areas nearby the mining sites so that the Westralian Resources Group can use the land as leaching piles and dumping areas for waste ore. Such costs are written off on a straight-line basis over their estimated useful lives of two years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Westralian Resources Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Westralian Resources Group assesses whether a contract contains an embedded derivative when the Westralian Resources Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Westralian Resources Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the respective reporting dates.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Westralian Resources Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Other income and gains” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment losses on available-for-sale financial assets” and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimate is significant for that investment, or (b) the probabilities or the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis.

Impairment of financial assets

The Westralian Resources Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor, and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Westralian Resources Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or when other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Westralian Resources Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Westralian Resources Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Westralian Resources Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Westralian Resources Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Westralian Resources Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Westralian Resources Group could be required to repay.

Financial liabilities at amortised cost

Financial liabilities including other payables and accruals and amounts due to immediate holding company and ultimate holding company are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance cost" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

(i) In-process inventory consists of stockpiled ore, ore on surface, crushed ore, in-circuit material at properties with milling or processing operations and ore awaiting refinement, all valued at the lower of average cost or net realisable value. In-process inventory costs consist of direct production costs including mining, crushing and processing; site administration costs; and allocated indirect costs, including depreciation, depletion and amortisation of mining interests.

Inventory costs are charged to operations on the basis of ounces of gold sold. The Westralian Resources Group regularly evaluates and refines estimates used in determining the costs charged to operations and costs absorbed in to inventory carrying values based upon actual gold recoveries and operating plans.

(ii) Materials and supplies inventory consists of consumables used in operations, such as fuel, chemicals, reagents and spare parts, valued at the lower of average cost and replacement cost and, where appropriate, less a provision of obsolescence.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Westralian Resources Group's cash management.

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Westralian Resources Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Westralian Resources Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

During the pre-production phase, any revenue generated from gold extracted is treated as a contribution towards previously incurred and capitalised costs and offset accordingly.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the Westralian Resources Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is Westralian Resources' presentation currency. Each entity in the Westralian Resources Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of Westralian Resources at the exchange rates ruling at the reporting date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Westralian Resources Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Assessment of impairment of non-current assets

The Westralian Resources Group tests annually whether non-current assets have suffered any impairment based on their value in use or their net selling price.

Useful lives of property, plant and equipment

The management of the Westralian Resources Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or nonstrategic assets that have been abandoned or sold.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Westralian Resources Group is based on the evaluation of collectibles and ageing analysis of accounts and on the 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.

Impairment for inventories

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

Impairment of exploration and evaluation assets

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of these assets, or, where appropriate, the cash-generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Westralian Resources Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. Impairment losses have been recognised for exploration and evaluation assets for the year ended 30 June 2009 amounting to HK$691,233. The aggregate carrying value of exploration and evaluation assets were HK$10,866,651, HK$18,865,865, HK$34,497,590 and HK$35,182,656 as at 30 June 2007, 2008 and 2009 and 30 September 2009, respectively,

Useful lives and residual values of intangible assets

The management of Westralian Resources Group assesses whether the intangible assets are of finite useful lives at each reporting date. In determining useful lives of finite intangible assets, the Westralian Resources Group has consider various factors, such as expected usage of the asset, expected period of future economic benefit. Additional amortisation is made if the estimated useful lives of finite intangible assets are different from previous estimation. Useful lives are reviewed at each financial year end date based on changes in circumstances.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Westralian Resources Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the Relevant Period.

During the Relevant Periods, the Westralian Resources Group generated sales revenue from the sale of gold extracted and the trading of gold purchased from the former owners of its mines. As the Westralian Resources Group was in the pre-production phase, the revenue from the sale of gold extracted from its mines was capitalised and offset against the capitalised development costs (note 14). For the trading of gold purchased from the former owners of the mines, the sales proceeds were recorded as revenue of the Westralian Resources Group in the statements of income during the Relevant Periods.

Revenue, other income and gains recognised during the Relevant Periods are as follows:

	Year ended 30 June			Three months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Revenue					
Total sales of goods to external customers	–	4,128,154	21,693,775	–	9,304,302
Less: Sales of goods credited to capitalised development costs *(note 14)*	–	–	(19,273,464)	–	(9,304,302)
Sales of goods credited as revenue	–	4,128,154	2,420,311	–	–
Other income and gains					
Interest income	53,807	175,366	127,579	31,590	2,946
Sundry income	–	–	699,599	–	282,554
Exchange gain	–	–	574,025	78,656	–
	53,807	175,366	1,401,203	110,246	285,500
Total revenue, other income and gains	53,807	4,303,520	3,821,514	110,246	285,500

5. SEGMENT INFORMATION

The Westralian Resources Group operates only in one business segment, being gold exploration, development and mining in the PRC. Accordingly, no further disclosures by the reportable segments based on business segment were made.

The Westralian Resources Group operates principally in the PRC. Over 90% of the Westralian Resources Group's revenue is derived from sale of the gold products in the PRC and over 90% of the Westralian Resources Group's assets are located in the PRC. Accordingly, no further disclosures by the reportable segments based on geographical segment were made.

6. LOSS BEFORE TAX

The Westralian Resources Group's loss before tax is arrived after charging/(crediting):

	Year ended 30 June			Three months ended 30 September	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Cost of inventories sold	–	5,078,199	2,995,706	–	–
Depreciation	335,565	475,525	2,041,463	227,185	796,676
Auditors' remuneration	154,559	217,100	44,354	–	–
Exchange loss	112,628	606,697	–	–	19,643
Loss on disposal on property, plant and equipment	1,285	115,859	23,976	–	28,816
Write-off of exploration and evaluation assets	–	–	691,233	–	–
Impairment of deposits paid	–	–	4,608,223	–	–
Operating lease rentals in respect of land and buildings	152,069	1,224,206	1,665,415	465,233	333,885
Staff costs (excluding directors' remuneration *(note 7)*):					
– Salaries and allowances	1,179,191	6,229,543	13,302,444	2,439,257	1,341,191
– Retirement benefit costs	–	435,756	1,657,217	290,273	414,287
	1,179,191	6,665,299	14,959,661	2,729,530	1,755,478
Bank interest income	(53,807)	(175,366)	(127,579)	(31,590)	(2,946)
Exchange gains	–	–	(574,025)	(78,656)	–

7. DIRECTORS' REMUNERATION

No director received any fee or emoluments in respect of their services rendered to the Westralian Resources Group for the years ended 30 June 2007, 2008 and 2009 and for the three months ended 30 September 2008 and 2009.

8. RETIREMENT BENEFIT COSTS

The employees of Hunan Westralian is a member of state-sponsored retirement plan operated by the local government in the PRC and it makes mandatory contributions to the state-sponsored retirement plan to fund the employee retirement benefits. The retirement contributions paid by Hunan Westralian is based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and is charged to the combined consolidated statement of comprehensive income as incurred. Hunan Westralian discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan operated by the local government in the PRC.

9. TAX

No Hong Kong profits tax has been provided as the Westralian Resources Group had no assessable profits arising from Hong Kong during the Relevant Periods.

No provision for the PRC corporate income tax has been made the Westralian Resources Group had no assessable profits arising from the PRC during the Relevant Periods.

Australia company income tax has not been provided as Westralian Resources has available tax losses brought forward form prior years to offset the assessable profits generate during the Relevant Periods.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic company from 1 January 2008 has decreased from 33% to 25% on 1 January 2008 and thereafter. In addition, Human Westralian also entitles to the full corporate income tax exemption for the first two years and 50% relief from the state corporate income tax rate for succeeding three year (the "Tax Holiday"), commencing from 1 January 2008.

A reconciliation of the tax expense applicable to profits tax using the statutory rates for the countries in which Westralian Resources and its subsidiary are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate to the effective tax rates, is as follows:

	Year ended 30 June			Three months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Loss before tax	(3,013,356)	(17,219,343)	(34,611,844)	(11,224,936)	(10,358,068)
Tax at the domestic tax rates applicable	(994,270)	(4,258,713)	(8,624,282)	(2,806,123)	(2,589,530)
Tax losses utilised from previous years	–	(276,740)	(172,070)	(669)	–
Tax effect of tax losses not recognised	994,270	4,535,453	8,796,352	2,806,792	2,589,530
Tax charge at the Westralian Resources Group's effective rate	–	–	–	–	–

The Westralian Resources Group had deferred tax assets not recognised in respect of tax losses available for offsetting future assessable profits and accelerated depreciation calculated at the respective statutory tax rates for the countries is which Westralian Resources and is subsidiary and domiciled as follows:

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Temporary differences	–	–	–	–
Tax losses	–	–	14,638,986	15,900,729
	–	–	14,638,986	15,900,729

At 30 September 2009, the Westralian Resources Group has tax losses of approximately HK$63 million available for a period of one to five years for offsetting against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The unutilised tax losses to be lapsed in the year 2013 and 2014 amounted to approximately HK$37 million and HK$26 million, respectively.

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF WESTRALIAN RESOURCES

Loss attributable to the equity holders of Westralian Resources included a profit/(loss) of (HK$4,574), HK$922,468 and HK$573,565 for the years ended 30 June 2007, 2008 and 2009 respectively and a profit/(loss) of HK$2,331 and (HK$261) for the three months ended 30 September 2008 and 2009 respectively, which has been dealt with in the Westralian Resources Financial Information.

11. EARNINGS PER SHARE

No earnings per share is presented as the calculation of basic earnings per shares is not meaningful for the purpose of this report.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited	Audited
30 June 2007					
At 1 July 2006					
Cost	100,331	–	353,015	359,440	812,786
Accumulated depreciation	(21,500)	–	(9,344)	(15,754)	(46,598)
Exchange realignment	(649)	–	(221)	(388)	(1,258)
Net carrying amount	78,182	–	343,450	343,298	764,930
At 1 July 2006, net of accumulated depreciation	78,182	–	343,450	343,298	764,930
Additions	33,195	427,211	600,531	429,348	1,490,285
Disposal	–	–	(1,285)	(247,745)	(249,030)
Depreciation provided for the year	(91,920)	(15,832)	(132,714)	(95,099)	(335,565)
Exchange realignment	1,209	(328)	10,542	1,744	13,167
At 30 June 2007, net of accumulated depreciation	20,666	411,051	820,524	431,546	1,683,787
At 30 June 2007					
Cost	133,526	427,211	952,261	541,043	2,054,041
Accumulated depreciation	(113,420)	(15,832)	(142,058)	(110,853)	(382,163)
Exchange realignment	560	(328)	10,321	1,356	11,909
Net carrying amount	20,666	411,051	820,524	431,546	1,683,787
30 June 2008					
At 1 July 2007					
Cost	133,526	427,211	952,261	541,043	2,054,041
Accumulated depreciation	(113,420)	(15,832)	(142,058)	(110,853)	(382,163)
Exchange realignment	560	(328)	10,321	1,356	11,909
Net carrying amount	20,666	411,051	820,524	431,546	1,683,787
At 1 July 2007, net of accumulated depreciation	20,666	411,051	820,524	431,546	1,683,787
Additions	–	3,008,307	1,923,915	436,329	5,368,551
Disposal	(20,666)	–	(26,843)	–	(47,509)
Depreciation provided for the year	–	(169,183)	(294,989)	(11,353)	(475,525)
Exchange realignment	–	38,091	75,295	49,152	162,538
At 30 June 2007, net of accumulated depreciation	–	3,288,266	2,497,902	905,674	6,691,842
At 30 June 2008					
Cost	–	3,435,518	2,849,333	977,372	7,262,223
Accumulated depreciation	–	(185,015)	(437,047)	(122,206)	(744,268)
Exchange realignment	–	37,763	85,616	50,508	173,887
Net carrying amount	–	3,288,266	2,497,902	905,674	6,691,842

	Leasehold improvements HK$ Audited	Plant and machinery HK$ Audited	Furniture and equipment HK$ Audited	Motor vehicles HK$ Audited	Total HK$ Audited
30 June 2009					
At 1 July 2008					
Cost	–	3,435,518	2,849,333	977,372	7,262,223
Accumulated depreciation	–	(185,015)	(437,047)	(122,206)	(744,268)
Exchange realignment	–	37,763	85,616	50,508	173,887
Net carrying amount	–	3,288,266	2,497,902	905,674	6,691,842
At 1 July 2008, net of accumulated depreciation	–	3,288,266	2,497,902	905,674	6,691,842
Additions	–	9,543,003	922,376	1,468,099	11,933,478
Disposal	–	–	(26,081)	–	(26,081)
Depreciation provided for the year	–	(1,192,321)	(702,065)	(147,077)	(2,041,463)
Exchange realignment	–	10,460	7,050	2,120	19,630
At 30 June 2009, net of accumulated depreciation	–	11,649,408	2,699,182	2,228,816	16,577,406
At 30 June 2009					
Cost	–	12,978,521	3,745,628	2,445,471	19,169,620
Accumulated depreciation	–	(1,377,336)	(1,139,112)	(269,283)	(2,785,731)
Exchange realignment	–	48,223	92,666	52,628	193,517
Net carrying amount	–	11,649,408	2,699,182	2,228,816	16,577,406
30 September 2009					
At 1 July 2009					
Cost	–	12,978,521	3,745,628	2,445,471	19,169,620
Accumulated depreciation	–	(1,377,336)	(1,139,112)	(269,283)	(2,785,731)
Exchange realignment	–	48,223	92,666	52,628	193,517
Net carrying amount	–	11,649,408	2,699,182	2,228,816	16,577,406
At 1 July 2009, net of accumulated depreciation	–	11,649,408	2,699,182	2,228,816	16,577,406
Additions	–	2,147,632	70,104	–	2,217,736
Disposal	–	(1,641,404)	(28,816)	–	(1,670,220)
Depreciation provided for the period	–	(551,890)	(186,298)	(58,488)	(796,676)
Exchange realignment	–	(101,976)	(23,518)	(19,336)	(144,830)
At 30 September 2009, net of accumulated depreciation	–	11,501,770	2,530,654	2,150,992	16,183,416
At 30 September 2009					
Cost	–	13,484,749	3,786,916	2,445,471	19,717,136
Accumulated depreciation	–	(1,929,226)	(1,325,410)	(327,771)	(3,582,407)
Exchange realignment	–	(53,753)	69,148	33,292	48,687
Net carrying amount	–	11,501,770	2,530,654	2,150,992	16,183,416

13. EXPLORATION AND EVALUATION COSTS

	HK$
30 June 2007	Audited
At 1 July 2006, at cost	3,466,424
Additions	7,286,845
Exchange realignment	113,382
At 30 June 2007, at cost	10,866,651

	HK$
30 June 2008	Audited
At 1 July 2007, at cost	10,866,651
Additions	6,922,185
Exchange realignment	1,077,030
At 30 June 2008, at cost	18,865,866

	HK$
30 June 2009	Audited
At 1 July 2008, at cost	18,865,866
Additions	16,061,402
Written off	(691,233)
Exchange realignment	261,555
At 30 June 2009, at net carrying amount	34,497,590

	HK$
30 September 2009	Audited
At 1 July 2009, at net carrying amount	34,497,590
Additions	937,002
Exchange realignment	(251,936)
At 30 September 2009, at net carrying amount	35,182,656

14. INTANGIBLE ASSETS

	Mining licences acquired	Capitalised development costs	Total
	HK$	*HK$*	*HK$*
	Audited	Audited	Audited
30 June 2007			
At 1 July 2006 and at 30 June 2007	–	–	–
30 June 2008			
At 1 July 2007, at cost	–	–	–
Transfer from deposit paid for mining rights	2,053,750	–	2,053,750
Acquisition of mining licences *(note a)*	202,061,096	–	202,061,096
Additions	–	8,799,823	8,799,823
Amortisation for land compensation costs *(note 17)*	–	52,845	52,845
At 30 June 2008	204,114,846	8,852,668	212,967,514
30 June 2009			
At 1 July 2008, at cost	204,114,846	8,852,668	212,967,514
Additions	–	36,526,425	36,526,425
Amortisation for land compensation costs *(note 17)*	–	1,147,103	1,147,103
Proceeds from sales *(note 4)*	–	(19,273,464)	(19,273,464)
Exchange realignment	339,322	14,713	354,035
At 30 June 2009	204,454,168	27,267,445	231,721,613
30 September 2009			
At 1 July 2009, at cost	204,454,168	27,267,445	231,721,613
Additions	–	11,279,070	11,279,070
Amortisation capitalised from land compensation costs *(note 17)*	–	583,498	583,498
Proceeds from sales *(note 4)*	–	(9,304,302)	(9,304,302)
Exchange realignment	(1,769,680)	(236,017)	(2,005,697)
At 30 September 2009	202,684,488	29,589,694	232,274,182

Notes:

(a) On 10 April 2007, Hunan Westralian entered into an agreement with the People's Government of Yuanling County, Huaihua City, Hunan Province, the PRC for the acquisition of the mining licenses of the eight gold mines, together with the mining rights and any right to profit there from and all the buildings, infrastructure and other visible assets in the eight gold mines, together with the relevant geological and mining records etc, at a consideration of RMB180 million (approximately HK$182,000,000). The eight mining licences were subsequently combined into one grand mining licence.

(b) Details of the mining licence is as follows

Licence number	Holders of the licence	Mining area	Expiry date
4300000820405	Hunan Westralian	6.3126 km^2	January 2010

Pursuant to the PRC laws, rules and regulations, Hunan Westralian shall apply for the renewal of the mining licence at the relevant registration authority 30 days before the expiry date of mining licences. According to the Hunan Westralian legal advisers, Hunan Westralian shall apply for the necessary licences, such as the Gold Operating Permit, the Mining Licence, the Safety Production Permit (安全生產許可證), the Blasting operation unit licence (爆破作業單位許可證) and the Civilian explosives purchase permit (民用爆炸物品購買許可證) (the "Major Licences"). At the date of report, Hunan Westralian had only obtained the Mining Licence (subject to renewal), while other Major Licences as described above are still under application. As confirmed by the Hunan Westralian legal advisers, there are no foreseeable legal obstacles for Hunan Westralian to obtain the above Major Licences after its resumption to normal operations and the payment of the relevant renewal fee for the Mining Licence.

(c) Pursuant to the PRC laws, rules and regulations, other than the Mining Licence, Hunan Westralian shall obtain the Gold Operating Permit together with the Safety Production Permit, the Blasting Operating Unit Licence and the Civilian Explosives Purchase Permit in order to commence the exploitation (extraction) of the gold mineral ores. Currently, Hunan Westralian has extracted the gold mineral ores without the necessary licences; and thus, Hunan Westralian may have breached the requirement for the extraction of the gold mineral ores and may be liable to penalty and fines. However, the directors of Westralian Resources are not in the position to estimate the potential liabilities on how much the penalty and fines will be. In this respect, the ultimate holding company of Westralian Resources Group, Cosmos, has undertaken to indemnify the Westralian Resources Group for any penalty and fines to be imposed on the Westralian Resources Group.

15. DEPOSIT FOR THE MINING RIGHTS

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Deposit paid for the mining rights	2,053,750	–	–	–

On 10 April 2007, Hunan Westralian entered into a sales and purchases agreement with the People's Government of Yuanling County (the "Seller") in the PRC to acquire the eight gold mining rights in Guanzhuang Town at a consideration of RMB180 million (approximately HK$182,000,000). On 28 June 2007, a supplementary agreement was entered into by the aforesaid contracted parties and it was agreed that the commencement date of the mining rights was on 1 November 2007.

16. DEPOSITS PAID

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Deposits paid for acquisition of fixed assets	–	4,067,081	–	–
Deposits for construction contract	–	–	4,608,223	4,549,200
Less: Impairment	–	–	(4,608,223)	(4,549,200)
	–	4,067,081	–	–

On 16 July 2008, Hunan Westralian entered into a mining tunnel construction contract (the "Construction Contract") with a third party at a total consideration of approximately RMB46,000,000 (approximately HK$52,000,000). The original expected time of completion of the construction is in 2010. An initial deposit of RMB4,000,000 (approximately HK$4,600,000 as at 30 June 2009) was paid during the year ended 30 June 2009.

During the year ended 30 June 2009, the management of Hunan Westralian proposed to terminate the Construction Contract with the third party and has fully impaired the deposits paid of RMB4,000,000.

17. LAND COMPENSATION COSTS

	Total
	HK$
30 June 2007	Audited
At 1 July 2006 and at 30 June 2007	–
30 June 2008	
At 1 July 2007, at cost	–
Additions	996,269
Amortisation credited to capitalised development costs *(note 14)*	(52,845)
At 30 June 2008, at net carrying amount	943,424
30 June 2009	
At 1 July 2008, at net carrying amount	943,424
Additions	4,185,811
Amortisation credited to capitalised development costs *(note 14)*	(1,147,103)
Exchange realignment	6,374
At 30 June 2009, at net carrying amount	3,988,506
30 September 2009	
At 1 July 2009, at net carrying amount	3,988,506
Additions	40,459
Amortisation credited to capitalised development costs *(note 14)*	(583,498)
Exchange realignment	(34,969)
At 30 September 2009, at net carrying amount	3,410,498

18. INVENTORIES

	30 June			30 September
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Raw materials and consumable supplies	–	2,825,324	4,668,668	1,312,412
Work in progress	–	1,120,779	649,244	–
Finished goods	–	–	4,445,281	–
	–	3,946,103	9,763,193	1,312,412

As at 30 June 2009, the inventories of the Westralian Resources Group carrying at net realisable value amounted to HK$9,763,193. None of the inventories was carried at net realisable value as at 30 June 2007 and 2008 and 30 September 2009.

19. PREPAYMENTS AND OTHER RECEIVABLES

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Prepayments	604,948	–	–	225,750
Other receivables	401,129	729,947	839,295	584,716
	1,006,077	729,947	839,295	810,466

None of the above assets are either past due or impaired. The financial assets included in the above balances receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Cash and cash equivalents	3,622,868	31,335,005	7,954,701	3,551,533

Including in the cash and bank balance was approximately HK$1,415,308, HK$783,958, HK$68,125 and HK$3,505,108 denominated in Renminbi ("RMB") as at 30 June 2007, 2008 and 2009 and 30 September 2009, respectively which was not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Westralian Resources Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. DUE TO IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Global Resource Ventures Limited ("GRV") #	15,973,276	292,657,126	276,150,870	–
China Goldmines Plc ("CGM") @	5,720,398	5,588,998	21,683,475	–
Cosmos Castle Management Limited ("Cosmos") *	–	–	–	342,121,111
	21,693,674	298,246,124	297,834,345	342,121,111

the immediate holding company of Westralian Resources during the Relevant Periods until 29 September 2009

@ the ultimate holding company of Westralian Resources during the Relevant Periods until 29 September 2009

* the immediate and ultimate holding company of Westralian Resources during the Relevant Periods with effect from 29 September 2009 up to the date of this report

The amounts due to GRV and CGM were unsecured, interest free and had no fixed terms of repayments.

The amount due to Cosmos is unsecured, interest free and has no fixed terms of repayments. Cosmos has agreed not to demand the repayment of the amount (the "Sale Loan") due to it until the Westralian Resources Group is in a position to do so. The Company has also agreed not to demand the repayment of the Sale Loan (to be transferred by Cosmos to the Company as part of the Acquisition) until the Westralian Resources Group is in a position to do so.

22. INVESTMENT IN A SUBSIDIARY

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Unlisted equity investments, at cost	20,427,541	242,907,150	242,771,455	242,828,359

Details of the subsidiary as at the respective reporting dates are as follows:

Name of subsidiary	Place and date of establishment	Registered capital/ paid up capital	Attributable equity interest directly held by Westralian Resources	Principal activity
Hunan Westralian Mining Co., Limited ("Hunan Westralian")	The PRC/6 July 2005	US$29,700,058	80%	Gold exploration, development and mining in the PRC

23. LOAN TO A SUBSIDIARY

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Loan to a subsidiary, at cost	–	36,126,500	81,650,728	108,093,767

The loan to subsidiary was unsecured, interest bearing at 30% below the PRC bank saving deposit rate and had a repayable period up to 10 years at the reporting date.

24. SHARE CAPITAL

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Authorised:				
50,000 ordinary shares of A$1.6 each	446,560	446,560	446,560	446,560
Issued and fully paid:				
50,000 ordinary shares of A$1.6 each	446,560	446,560	446,560	446,560

25. RESERVES

(a) Group

The amounts of the Westralian Resources Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the financial statements.

In accordance with the PRC Companies Law, Hunan Westralian, the PRC subsidiary, is required to transfer 10% of its profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable. According to the relevant PRC regulations, statutory surplus reserve can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

During the Relevant Periods, Hunan Westralian did not generate any profit. Accordingly, there were no statutory reserves.

(b) Company

	Exchange reserve	**Accumulated losses**	**Total**
	HK$	*HK$*	*HK$*
Balance at 1 July 2006	(2,984)	8,086	5,102
Exchange realignment	(1,686,012)	–	(1,686,012)
Net loss for the year	–	(4,574)	(4,574)
At 30 June 2007 and 1 July 2007	(1,688,996)	3,512	(1,685,484)
Exchange realignment	(16,252,577)	–	(16,252,577)
Net profit for the year	–	922,468	922,468
At 30 June 2008 and 1 July 2008	(17,941,573)	925,980	(17,015,593)
Exchange realignment	42,588,296	–	42,588,296
Net profit for the year	–	573,565	573,565
At 30 June 2009 and 1 July 2009	24,646,723	1,499,545	26,146,268
Exchange realignment	(17,786,421)	–	(17,786,421)
Net loss for the year	–	(261)	(261)
At 30 September 2009	6,860,302	1,499,284	8,359,586

26. COMMITMENTS

(a) Operating lease commitments

The Westralian Resources Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years (June 2009: one to four years, June 2008 and 2007: one to two years).

At the reporting date, the Westralian Resources Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Within one year	70,388	1,310,522	717,057	499,525
In the second to fifth years, inclusive	4,860	318,400	88,030	521,989
After five years	–	–	–	–
	75,248	1,628,922	805,087	1,021,514

(b) Capital commitments

At the reporting date, the Westralian Resources Group had the following capital commitments:

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Commitments for the acquisition of the mining rights	182,783,750	–	–	–
Contracted but not provided for, net of deposit paid	–	1,091,577	–	–
Contracted but not provided for, net of deposit recognised	–	–	48,183,660	47,760,600
	182,783,750	1,091,577	48,183,660	47,760,600

27. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Westralian Resources Group had the following transactions with related parties during the Relevant Periods:

	Year ended 30 June			Three months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Unaudited	Audited
Brigade 407, non-controlling interest party:					
Exploration service fee paid *(Note a)*	6,408,279	6,241,921	17,686,489	4,950,243	2,059,278

Note:

(a) During the Relevant Periods, the Westralian Resources Group paid exploration service fees in an aggregate of HK$6,408,279, HK$6,241,921, HK$17,686,489, HK$4,950,243 and HK$2,059,278 for the year ended 30 June 2007, 2008, 2009 and three months ended 30 September 2008 and 2009, respectively, to Brigade 407 for the joint development of exploration. The amounts for the Relevant Periods have been capitalised as exploration and evaluation assets at the respective reporting dates.

These transactions were conducted in accordance with the terms mutually agreed between the Westralian Resources Group and the related party.

Key management personnel comprises only the directors who did not receive any emoluments during the Relevant Periods.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the respective reporting dates are as follows:

Group

30 September 2009
Financial assets

	Loans and receivables *HK$* Audited
Financial assets included in prepayments and other receivables	584,716
Cash and bank balances	3,551,533
	4,136,249

Financial liabilities

	Financial liabilities at amortised cost *HK$* Audited
Other payables and accruals	1,942,300
Due to immediate holding company and ultimate holding company	342,121,111
	344,063,411

30 June 2009

Financial assets

	Loans and receivables
	HK$
	Audited
Financial assets included in prepayments and other receivables	839,295
Cash and bank balances	7,954,701
	8,793,996

Financial liabilities

	Financial liabilities at amortised cost
	HK$
	Audited
Other payables and accruals	21,168,370
Due to immediate holding company and ultimate company	297,834,345
	319,002,715

30 June 2008

Financial assets

	Loans and receivables
	HK$
	Audited
Financial assets included in prepayments and other receivables	729,947
Cash and bank balances	31,335,005
	32,064,952

Financial liabilities

	Financial liabilities at amortised cost
	HK$
	Audited
Other payables and accruals	9,289,975
Due to immediate holding company and ultimate company	298,246,124
	307,536,099

30 June 2007
Financial assets

	Loans and receivables
	HK$
	Audited
Financial assets included in prepayments and other receivables	401,129
Cash and bank balances	3,622,868
	4,023,997

Financial liabilities

	Financial liabilities at amortised cost
	HK$
	Audited
Other payables and accruals	439,768
Due to immediate holding company and ultimate company	21,693,674
	22,133,442

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Westralian Resources Group's principal financial instruments, other than derivatives, comprise other payables and accruals and the amounts due to immediate holding and ultimate holding company. The main purpose of these financial instruments is to raise finance for the Westralian Resources Group's operations.

The main risks arising from the Westralian Resources Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Westralian Resources Group's accounting policies in relation to derivatives are set out in note 2.4 to the accountants' report.

Interest rate risk

The Westralian Resources Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. Westralian Resources Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Westralian Resources Group has transactional currency exposures as the sales and purchases of the Westralian Resources Group were mainly transacted in Renminbi ("RMB").

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since the exchange rate of United States Dollar ("USD") was quite stable during the years ended 30 June 2007, 2008 and 2009 and three months ended 30 September 2008 and 2009.

The following table demonstrates the sensitivity at the respective reporting dates to a reasonable possible change in the exchange rate of RMB and Australian Dollar ("AUD") with all other variables held constant, of Westralian Resources Group's loss before tax.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	*HK$*	*HK$*
30 September 2009			
If HKD weakens against RMB	5%	175,255	175,255
If HKD strengthens against RMB	(5%)	(175,255)	(175,255)
If HKD weakens against AUD	5%	52	52
If HKD strengthens against AUD	(5%)	(52)	(52)
30 June 2009			
If HKD weakens against RMB	5%	3,437	3,437
If HKD strengthens against RMB	(5%)	(3,437)	(3,437)
If HKD weakens against AUD	5%	13	13
If HKD strengthens against AUD	(5%)	(13)	(13)
30 June 2008			
If HKD weakens against RMB	5%	39,298	39,298
If HKD strengthens against RMB	(5%)	(39,298)	(39,298)
If HKD weakens against AUD	5%	127,428	127,428
If HKD strengthens against AUD	(5%)	(127,428)	(127,428)
30 June 2007			
If HKD weakens against RMB	5%	70,578	70,578
If HKD strengthens against RMB	(5%)	(70,578)	(70,578)
If HKD weakens against AUD	5%	–	–
If HKD strengthens against AUD	(5%)	–	–

Credit risk

The Westralian Resources Group trades only with recognised and creditworthy third parties. It is the Westralian Resources Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Westralian Resources Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Westralian Resources Group does not offer credit terms without the specific approval of the management.

The credit risk of the Westralian Resources Group's other financial assets, which comprise cash and cash equivalents, prepayments and other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality in Hong Kong and banks with good reputation in the PRC.

Since the Westralian Resources Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Westralian Resources Group.

Liquidity risk

The Westralian Resources Group has net liabilities and deficiency in assets; however, the directors are satisfied that the Westralian Resources Group will be able to meet in full its financial obligations as they fall due for the foreseeable future as Westralian Resources' current ultimate holding company, Cosmos has agreed not to demand the repayment of the amount (the "Sale Loan") due to it until the Westralian Resources Group is in a position to do so. The Company has also agreed not to demand the repayment of the Sale Loan (to be transferred by Cosmos to the Company as part of the Acquisition) until the Westralian Resources Group is in a position to do so.

Capital management

The primary objective of the Westralian Resources Group's capital management is to safeguard the Westralian Resources Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Westralian Resources Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes other payables and accruals, amounts due to immediate company and ultimate holding company less cash and bank balances. Capital includes equity attributable to equity shareholders of Westralian Resources.

	30 June			30 September
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
	Audited	Audited	Audited	Audited
Other payables and accruals	439,768	9,289,975	21,168,370	1,942,300
Due to immediate holding company and ultimate holding company	21,693,674	298,246,124	297,834,345	342,121,111
Less: Cash and bank balances	(3,622,868)	(31,335,005)	(7,954,701)	(3,551,533)
Net debt	18,510,574	276,201,094	311,048,014	340,511,878
Equity attributable to equity holders	(3,905,933)	(22,981,230)	(1,496,554)	(37,124,504)
Capital and net debt	14,604,641	253,219,864	309,551,460	303,387,374
Gearing ratio	127%	109%	100%	112%

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Westralian Resources Group in respect of any period subsequent to 30 September 2009.

Yours faithfully,

Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Yuk Tong
Practicing Certificate Number P03723
Hong Kong

*The following text is extracted from Appendix II to the circular of the Company dated 12 June 2009 (the "**June Circular**"). Terms used below shall have the same meanings as those defined in the June Circular. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the June Circular.*

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 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.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 March		
		2007	2008	2009
	Note	*HK$'000*	*HK$'000*	*HK$'000*
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		347,820	309,394	237,349
DIVIDENDS:				
INTERIM DIVIDEND (2007: HK$341,090,000 per share, 2008: HK$50,686,000 per share, 2009: HK$504,160,000 per share)		341,090	50,686	504,160

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
		15,073	282,390	5,045
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
		11,549	11,823	15,655
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)	–	–
		(21,016)	(29,899)	(23,197)
NET CURRENT LIABILITIES		(9,467)	(18,076)	(7,542)
NET ASSETS/(LIABILITIES)		5,606	264,314	(2,497)
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)
		5,606	264,314	(2,497)

BALANCE SHEETS

		As at 31 March		
		2007	**2008**	**2009**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
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 HK$'000	Share premium HK$'000	(Accumulated loss)/ Retained profit HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
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 weigthed-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	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Turnover:			
Sales of cosmetics	70,610	85,225	73,556
Provision of treatment services	37,293	36,807	39,348
	107,903	122,032	112,904

6. OTHER REVENUE AND NET INCOME

	Year ended 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Other revenue:			
Bank interest income	70	65	24
Dividend income	75,000	–	–
Sundry income	44	175	90
	75,114	240	114
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
	234,291	268,859	202,566
	309,405	269,099	202,680

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the followings:

	Year ended 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*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

8. DIRECTORS' REMUNERATION

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

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

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	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Current tax – Hong Kong profits tax			
Provision for the year	2,074	–	32

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

	Year ended 31 March		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	349,894	309,394	237,381
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)
	2,074	–	32

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	**Office equipment**	**Shop equipment**	**Shop furniture and fixtures**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	2008	2009
	HK$'000	*HK$'000*	*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:

	2007	2008	2009
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	2008	2009
	HK$'000	*HK$'000*	*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	Balance at beginning of year	Maximum outstanding balance during the year
	HK$'000	*HK$'000*	*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	**2008**	**2009**
	HK$'000	*HK$'000*	*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	**2008**	**2009**
	HK$'000	*HK$'000*	*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:–

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

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**
	HK$'000	*HK$'000*	*HK$'000*
Past due but not impaired:			
Within 6 months	3,997	2,705	3,207
Between 6 and 12 months	4	5	–
	4,001	2,710	3,207

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	**2008**	**2009**
	HK$'000	*HK$'000*	*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	–
	6,497	14,641	6,541
Due for payment:			
Within one year	6,497	14,641	6,541

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.

*The following text is extracted from Appendix III to the circular of the Company dated 12 June 2009 (the "**June Circular**"). Terms used below shall have the same meanings as those defined in the June Circular. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the June Circular.*

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.

(b) Unaudited pro forma balance sheet

	The Group as at 31 December 2008	Supreme China Limited as at 31 March 2009	Sub-total	Pro forma adjustments: The completion of proposed Acquisition in Supreme China Limited	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note (a)	*Note (b)*		*Note (c)*		
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
	2,546,412	5,045	2,551,457			2,873,954
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
	624,545	15,655	640,200			474,914

(b) Unaudited pro forma balance sheet (Continued)

	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$'000	Pro forma adjustments: The completion of proposed Acquisition in Supreme China Limited HK$'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.

(b) Unaudited pro forma income statement

	The Group for the year ended 31 December 2008	Supreme China Limited for the year ended 31 March 2009	Sub-total	Pro forma adjustments: The completion of proposed Acquisition in Supreme China Limited	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note (a)	*Note (b)*		*Note (c)*		
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	33,565	237,349	270,914			249,251
Attributable to:						
				(21,663)	c(i)	
				25,378	c(iii)	
Equity holders of the Company	8,187	237,349	245,536	(4,828)	c(iv)	244,423
				(25,378)	c(iii)	
Minority interests	25,378	–	25,378	4,828	c(iv)	4,828
Profit for the year	33,565	237,349	270,914			249,251

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.

(c) Unaudited pro forma cash flow statement

	The Group for the year ended 31 December 2008	Supreme China Limited for the year ended 31 March 2009	Sub-total	Pro forma adjustments: The completion of proposed Acquisition in Supreme China Limited	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note (a)	*Note (b)*		*Note (c)*		
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)

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

	The Group for the year ended 31 December 2008	Supreme China Limited for the year ended 31 March 2009	Sub-total	Pro forma adjustments: The completion of proposed Acquisition in Supreme China Limited	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note (a)	*Note (b)*		*Note (c)*		
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

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

	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$'000	Pro forma adjustments: The completion of proposed Acquisition in Supreme China Limited HK$'000 Note (c)	Notes	Pro forma Enlarged Group HK$'000
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

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

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of the entire equity interest in Westralian Resources Pty. Ltd. (the "Australian Company") which holds 80% equity interests in Hunan Westralian Mining Co., Ltd. (the "Mining Company") (collectively the "Target Group") and all the amounts due and payable by Australian Company to Cosmos Castle Management Limited as at the date of completion of the Sale and Purchase Agreement (the "Acquisition").

The unaudited pro forma statement of financial position 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 statement of financial position of the Enlarged Group is based upon the unaudited pro forma consolidated statement of financial position of the Enlarged Group before the Acquisition as at 31 December 2008, which has been extracted from the circular of Global Green Tech Group Limited (the "Company") dated 12 June 2009 in respect of the very substantial acquisition of Supreme China Limited as set out in Appendix V to this circular, and the audited consolidated statement of financial position of the Target Group as at 30 September 2009 as extracted from the accountants' report as set out in Appendix III 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 statement of comprehensive income and unaudited pro forma statement of cash flow 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 statement of comprehensive income and unaudited pro forma statement of cash flow of the Enlarged Group are based upon the unaudited pro forma consolidated statement of comprehensive income, and unaudited pro forma consolidated statement of cash flow of the Enlarged Group before the Acquisition for the year ended 31 December 2008, which have been extracted from the Company's circular dated 12 June 2009 in respect of the very substantial acquisition of Supreme China Limited as set out in Appendix V to this circular, and the audited consolidated statement of comprehensive income and audited consolidated statement of cash flow of the Target Group for the year ended 30 June 2009 as extracted from the accountants' report as set out in Appendix III 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 financial information of the Enlarged Group is prepared by the directors based on a number of assumptions, estimates and uncertainties for illustrative purposes. Accordingly, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to describe (i) the actual financial position of the Enlarged Group that would have been attained had the Acquisition of been completed on 31 December 2008; (ii) the actual results of operations and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on 1 January 2008. The unaudited pro forma financial information of the Enlarged Group does not purport to predict the future financial position results of operations, or cash flows of the Enlarged Group.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the financial information of Supreme China Limited as set out in Appendix IV to this circular, the unaudited pro forma financial information regarding the acquisition of Supreme China Limited as set out in Appendix V to this circular, the financial information of the Target Group as set out in Appendix III to this circular, and other financial information included elsewhere in this circular.

2. Unaudited pro forma consolidated statement of financial position

	Pro forma Enlarged Group before the Acquisition as at 31 December 2008	Target Group as at 30 September 2009	Sub-total	Pro forma adjustments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)				(unaudited)
	Note (1)	*Note (2)*				
NON-CURRENT ASSETS						
Goodwill	968,063	–	968,063			968,063
Property, plant and equipment	1,489,113	16,183	1,505,296			1,505,296
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	232,274	268,929	1,356,224	3c	1,625,153
Exploration and evaluation assets	–	35,183	35,183			35,183
Other assets	–	2,482	2,482			2,482
Deposits for acquisition of property, plant and equipment	175,624	–	175,624			175,624
Available-for-sale financial assets	546	–	546			546
Land compensation costs	–	3,411	3,411			3,411
Other deposits and club debenture	170	–	170			170
	2,873,954	289,533	3,163,487			4,519,711
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	97,981	1,312	99,293			99,293
Trade and other receivables	242,508	810	243,318			243,318
Loan receivables	63,142	–	63,142			63,142
Tax recoverable	2,042	–	2,042			2,042
Fixed bank deposits	5,000	–	5,000			5,000
Cash and cash equivalents	31,129	3,552	34,681			34,681
	474,914	5,674	480,588			480,588

	Pro forma Enlarged Group before the Acquisition as at 31 December 2008 *HK$'000* (unaudited) *Note (1)*	Target Group as at 30 September 2009 *HK$'000* (audited) *Note (2)*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	Pro forma Enlarged Group *HK$'000* (unaudited)
CURRENT LIABILITIES						
Trade and other payables	99,412	1,942	101,354			101,354
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
Tax payable	21,820	–	21,820			21,820
	500,695	1,942	502,637			502,637
Net current (liabilities)/assets	(25,781)	3,732	(22,049)			(22,049)
Total assets less current liabilities	2,848,173	293,265	3,141,438			4,497,662
NON-CURRENT LIABILITIES						
Convertible bonds	77,493	–	77,493	613,546	3e	691,039
Due to immediately holding company and ultimate holding company	–	342,121	342,121	(342,121)	3g	–
Obligations under finance leases	5	–	5			5
Deferred tax liabilities	1,106	–	1,106			1,106
	78,604	342,121	420,725			692,150
NET ASSETS/(LIABILITIES)	2,769,569	(48,856)	2,720,713			3,805,512
CAPITAL AND RESERVES						
Share capital	133,321	447	133,768	76,202 (447)	3d 3f	209,523
Convertible bonds equity reserves	82,507	–	82,507	281,645	3e	364,152
Reserves	2,486,887	(37,572)	2,449,315	189,975 228,607 37,572	3b 3d 3f	2,905,469
Total equity/(deficit) attributable to equity holders of the Company	2,702,715	(37,125)	2,665,590			3,479,144
Non-controlling interests	66,854	(11,731)	55,123	271,245	3c	326,368
TOTAL EQUITY/(DEFICIT)	2,769,569	(48,856)	2,720,713			3,805,512

3. Unaudited pro forma consolidated statement of comprehensive income

	Pro forma Enlarged Group before the Acquisition as at 31 December 2008	The Target Group for the period ended 30 June 2009	Sub-total	Pro forma adjustments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)				(unaudited)
	Note (1)	*Note (2)*				
Turnover	1,425,818	2,420	1,428,238			1,428,238
Cost of sales	(846,785)	(2,996)	(849,781)			(849,781)
Gross profit/(loss)	579,033	(576)	578,457			578,457
Other revenue and net income	363,211	1,401	364,612	189,975	3b	554,587
Selling and distribution expenses	(125,509)	–	(125,509)			(125,509)
General and administrative expenses	(430,650)	(35,437)	(466,087)			(466,087)
Profit/(Loss) from operations	386,085	(34,612)	351,473			541,448
Finance costs	(85,307)	–	(85,307)	(82,338)	3i	(167,645)
Profit/(Loss) before taxation	300,778	(34,612)	266,166			373,803
Income tax	(51,527)	–	(51,527)			(51,527)
Profit/(Loss) after taxation	249,251	(34,612)	214,639			322,276
Attributable to:						
Equity holders	244,423	(27,575)	216,848	189,975	3b	324,485
				(82,338)	3i	
Non-controlling interests	4,828	(7,037)	(2,209)			(2,209)
	249,251	(34,612)	214,639			322,276

4. Unaudited pro forma consolidated statement of cash flow

	Pro forma Enlarged Group before the Acquisition as at 31 December 2008	The Target Group for the year ended 30 June 2009	Sub-total	Pro forma adjustment	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)				(unaudited)
	Note (1)	*Note (2)*				
Operating activities				189,975	3b	
Profit/(Loss) before taxation	300,778	(34,612)	266,166	(82,338)	3i	373,803
Adjustments for:						
Depreciation	87,852	2,042	89,894			89,894
Amortisation						
– Prepaid lease payments for land under operating leases	3,117		3,117			3,117
– Intangible assets	7,436		7,436			7,436
– Land compensation cost credited to capitalised development costs	–	1,147	1,147			1,147
Interest income	(8,971)	(128)	(9,099)			(9,099)
Gain on disposal of available-for-sale financial assets	(202,566)		(202,566)			(202,566)
Loss on disposal of property, plant and equipment	554	24	578			578
Valuation loss on financial assets at fair value through profit or loss	167,986		167,986			167,986
Written down of inventories	73,685		73,685			73,685
Impairment loss on trade and other receivables	41,220		41,220			41,220
Written off exploration and evaluation assets	–	691	691			691
Written off of bad debts	20		20			20
Written back of impairment loss on trade receivables	(731)		(731)			(731)
Excess of the Company's acquired interests at fair value over cost				(189,975)	3b	(189,975)
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	85,101		85,101	82,338	3i	167,439
Effect of foreign exchange rate changes	(59,131)		(59,131)			(59,131)
Receipt of sales of goods credited to intangible assets	–	19,273	19,273			19,273

	Pro forma Enlarged Group before the Acquisition as at 31 December 2008	The Target Group for the year ended 30 June 2009	Sub-total	Pro forma adjustment	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)				(unaudited)
	Note (1)	*Note (2)*				
Operating cash flows before changes in working capital	534,100	(11,563)	522,537			522,537
Decrease in financial assets at fair value through profit or loss	805	–	805			805
Increase in inventories	(117,599)	(5,800)	(123,399)			(123,399)
Increase in trade and other receivables	(126,895)	(106)	(127,001)			(127,001)
Increase in other assets	–	(115)	(115)			(115)
Decrease in deposit paid	–	4,085	4,085			4,085
Decrease in loan receivables	122,295	–	122,295			122,295
(Decrease)/Increase in trade and other payables	(88,386)	11,838	(76,548)			(76,548)
Increase in amount due to a related company	3,341	–	3,341			3,341
Increase in amount due from a director	–	–	–			–
Cash generated from/(used in) operations	327,661	(1,661)	326,000			326,000
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/(used in) operating activities	273,073	(1,661)	271,412			271,412
Investing activities						
Cash paid for acquisition of subsidiary	(158,922)	–	(158,922)			(158,922)
Acquisition of subsidiary	–	–	–	31,335	3h	31,335
Acquisition of intangible assets	–	(37,674)	(37,674)			(37,674)
Purchases of property, plant and equipment	(412,054)	(11,933)	(423,987)			(423,987)
Acquisition of exploration and evaluation assets	–	(16,061)	(16,061)			(16,061)
Proceeds from disposal of property, plant and equipment	8	2	10			10
Proceeds from disposal of available-for-sale financial assets	211,515	–	211,515			211,515
Payment for land compensation cost	–	(4,186)	(4,186)			(4,186)
Interest received	8,971	128	9,099			9,099
Decrease in fixed bank deposits	37,733	–	37,733			37,733
Net cash used in investing activities	(312,749)	(69,724)	(382,473)			(351,138)

	Pro forma Enlarged Group before the Acquisition as at 31 December 2008	The Target Group for the year ended 30 June 2009	Sub-total	Pro forma adjustment	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)				(unaudited)
	Note (1)	*Note (2)*				
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)
Advances from immediate holding company and ultimate holding company	–	48,637	48,637	(48,637)	3j	–
Proceeds from other loan	–		–	48,637	3j	48,637
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)		(12,800)			(12,800)
Other borrowing costs paid	(150)		(150)			(150)
Net cash (used in)/generated from financing activities	(422,568)	48,637	(373,931)			(373,931)
Net decrease in cash and cash equivalents	(462,244)	(22,748)	(484,992)			(453,657)
Cash and cash equivalents at the beginning of the year	472,989	31,335	504,324	(31,335)	3h	472,989
Effect of foreign exchange rate changes	7,584	(632)	6,952			6,952
Cash and cash equivalents at the end of the year	18,329	7,955	26,284			26,284

Notes to the unaudited pro forma financial information:

1. The figures of the pro forma financial statements of the Enlarged Group before the Acquisition as at 31 December 2008 are extracted from the unaudited pro forma financial information regarding the acquisition of Supreme China Limited which can be found in Appendix V in this circular.

   The principal activity of Supreme China Limited is investment holding and its subsidiary is engaged in retailing of cosmetics and provision of treatment services. Its principal place of business is Room 3401-08, 34th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

   The consideration of the acquisition of Supreme China Limited was HK$160,000,000 satisfied by (1) the internal resources of the Company (cash and cash equivalent) and the remaining HK$582,000 by setting off the amount due from a director of Supreme China Limited; (2) the issuance of convertible bond of principal amount HK$160,000,000. After the acquisition of Supreme China Limited, the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the Company did not vary in consequence of the acquisition.

2. The figures of the consolidated financial statements of the Target Group are extracted from the accountant's report as set out in Appendix III in this circular.

3. Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for the Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of completion. Any goodwill or discount arising on the Acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests at the date of completion. Excess of the Company's acquired interests at fair value over cost resulting from the business combinations should be recognised immediately in the consolidated statement of comprehensive income.

   The adjustments reflected the following:

   (a) The consideration for the Acquisition of HK$1,200,000,000 is to be satisfied by:

		HK$'000
Issuance of new shares (the "Consideration Shares")	*(Note 3(d))*	304,809
Issuance of convertible bonds (the "Convertible Bonds")	*(Note 3(e))*	895,191
		1,200,000

   (b) Details of excess of the Company's acquired interests at fair value over cost arising from the Acquisition are as below:

   Assumed fair value of the consideration on 31 December 2008

		HK$'000
Consideration Shares	*(Note 3(d))*	304,809
Convertible Bonds	*(Note 3(e))*	895,191
Total		1,200,000
Less: Fair value of net identifiable assets acquired	*(Note 3(c))*	(1,047,854)
Non-current liabilities due to immediately holding company and ultimate holding company (the "Sale Loan")		(342,121)
Excess of the Company's acquired interests at fair value over cost		(189,975)

   The fair value of the Sale Loan as at 31 December 2008 is assumed to be the same as the carrying amount as at 30 September 2009.

(c) The interest in fair value of net assets of the Target Group is calculated as follows:

	HK$'000	HK$'000
Net assets attributable to equity holder of the Target Group		(37,125)
Fair value of Gold Mine Asset	1,600,000	
Less: Carrying amount of Gold Mine Asset	(243,776)	
Net fair value adjustment of Gold Mine Asset		1,356,224
Less: Net fair value adjustment of Gold Mine Asset shared by non-controlling interests of the Mining Company		(271,245)
The Company's interest in fair value of net assets of the Target Group		1,047,854

The carrying amount of the "Gold Mine Asset" as mentioned in Appendix IX of this circular comprises substantially the Target Group's intangible assets and plant and machinery.

The fair value of the Gold Mine Asset as at 30 September 2009 was HK$1,600,000,000 determined with reference to valuation as at 30 November 2009 carried out by BMI Appraisals Limited, an independent company of professional valuers not connected to the Company, assuming there was no significant difference in the valuation of the assets between the date of 31 December 2008, 30 September 2009 and 30 November 2009. Details of the valuation report are set out in Appendix IX of this circular.

The amount of HK$271,245,000 represents the 20% share of the net fair value adjustment of Gold Mine Asset attributable to the non-controlling interests of the Mining Company.

(d) The pro forma adjustment represents the issuance of 762,022,000 new shares, at an issue price of HK$0.4 each. Upon completion, the issue of new shares will increase the Company's share capital by approximately HK$76,202,000 and share premium by HK$228,607,000.

(e) The pro forma adjustment represents the liability and equity components of the Convertible Bonds issued for the Acquisition as if it was issued on 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, approximately amounting to HK$613,546,000 and HK$281,645,000 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 company of professional valuers, in accordance with generally accepted pricing model as at 9 December 2009. Assuming there was no significant difference in the valuation of the assets between the date of 31 December 2008 and 9 December 2009.

(f) The pro forma adjustment represents the elimination of the share capital and pre-acquisition reserves of the Target Group as at 30 September 2009, amounting to HK$447,000 and HK$37,572,000 respectively.

(g) At the completion of the Acquisition, the Sale Loan will be acquired by the Company and thus become intra-group balance. It represents consolidation adjustment for elimination of intra-group balance.

(h) The pro forma adjustment represents the cash and cash equivalents of the Target Group as at 1 January 2008.

(i) The pro forma adjustment of amount HK$82,338,000 represents the yearly imputed interest expenses of 13.42% per annum on the convertible bonds issued for the Acquisition of the entire issued share capital of the Target Group, which are to be expensed in the consolidated statement of comprehensive income 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 9 December 2009.

(j) The pro forma adjustment represents reclassification of advances from immediately holding company and ultimate holding company to proceeds from other loans. Upon the completion of Acquisition, the current immediately holding company and ultimate holding company will become independent third parties to the Target Group.

4. For the purpose of the unaudited pro forma financial information, the adjustment in note 3(i) will have a continuing effect on the financial statements of the Enlarged Group before the full conversion of the convertible bonds.

5. The adjustments are made assuming: (1) the carrying amounts of the assets and liabilities of the Target Group as at 30 September 2009, except the "Gold Mine Asset" as mentioned in Appendix IX to this circular, approximate equal their fair value; and (2) the transaction costs involved are insignificant.

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

HOPKINS

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

1 February 2010

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 (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group"), in connection with the proposed acquisition of the entire equity interests in Westralian Resources Pty. Ltd. which holds 80% equity interests in Hunan Westralian Mining Co., Ltd. (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 VI of the circular dated 1 February 2010 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 183 to 195 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.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

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 Enlarged Group as at 31 December 2008 or any future date; or

- the results and cash flows of the Enlarged 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

Set out below are the management discussion and analysis of the Group as extracted from the annual reports of the Company for each of the three years ended 31 December 2008 and the interim report of the Company for the six months ended 30 June 2009 (the "**Financial information**"). Terms used below shall have the same meanings as those defined in the Financial Information. Furthermore, all pages/ sections/appendices mentioned in the below text are referred to those of the Financial Information.

For the six months ended 30 June 2009

BUSINESS REVIEW

Global Green achieved a turnover of HK$218.98 million for the six months ended 30 June 2009, representing a decrease of 62.47% over the same period last year (2008: HK$583.42 million). Due to economic downturn in the first half of the year, the Group's overall gross profit margin dropped to 17.13% from 50.05% last period due to decrease in sales of high gross margin products – cosmetics and skincare products. Net loss for the Period amounting to HK$168.76 million (2008: profit of HK$200.07 million), representing a drop of 184.35% as compared with last period.

OPERATIONAL REVIEW

I. Household Products

For the period under review, turnover of household products were HK$5.38 million (2008: HK$76.03 million), representing a significant decrease of 92.93% as compared with last period and accounting for 2.46% of the Group's turnover. Due to increase in cost of raw materials and keen price competition, demand for our products decreased and the gross margin was deteriorated.

In future, the Group will concentrate on the manufacturing of OEM products so as to save up marketing and administrative expense of own label products.

II. Industrial Products

During the review period, turnover of industrial products decreased by 40.19% to HK$118.25 million (2008: HK$197.71 million), representing 54% of the Group's turnover.

Even though this segment recorded a loss in the first half of the year, with a long operation history and a strong customer base, industrial surfactants and industrial enzymes remained the bread-and-butter business of the Group. With gradual recovery of economy and continuous implementation of stringent cost control measures, the Group believed that the profit margin could be improved in the second half of the year. Its eco-friendly industrial surfactants were also benefited from the growing awareness of environmental protection issue by the PRC Government.

III. Cosmetics and Skincare Products

For the six months ended 30 June 2009, turnover of cosmetics and skincare products dropped 68.58% to HK$95.35 million (2008: HK$303.44 million), accounting for 43.54% of the Group's turnover. The increasing affluence and rising spending power of the emerging middle class also made our cosmetics and skincare business remain the Group's significant contributor to the revenue in the first half of 2009.

We have strategically expanded our network into first, second and even third tier cities to enhance our coverage. This network expansion, together with strong same-store sales growth, has brought significant growth to our operations in future.

In addition, the Group has employed effective branding strategies to enhance MB's image and diversified its marketing channels through television commercials, print advertisements, billboard posters, and promotional events with celebrities as spokespersons, etc. We believe that these effective marketing capabilities and the further enhancement of our brand name will assist us in increasing sales and strengthening our market position.

The Group's state-of-the-art GMP-production base and R&D technique allowed it to continuously expand into the European and North American markets by providing ODM cosmetics and skincare products in form of gift and premium.

IV. Biotechnology Products

During the period under review, biotechnology products contributed nothing to the turnover (2008: turnover of HK$4.02 million).

V. Investments

There was no investment activities (2008: turnover of HK$2.24 million) during the review period. Total amount of operating profit in this segment for the Period amounted to HK$9.56 million, mainly due to fair value changes of marketable securities as at 30 June 2009, as compared with operating loss of HK$8.19 million for the last period.

USE OF PROCEEDS FROM ISSUE OF SHARES

During the Period, 9,748,500 share options were exercised at exercise price of HK$0.89 per ordinary share with cash proceeds of approximately HK$8.7 million, before any related expenses. The net proceeds from the exercise of share options were used to finance general working capital requirement of the Group.

By the announcement dated 20 January 2009 (the "Announcement") and the circular of open offer despatched on 23 February 2009 (the "Circular"), the Company raised 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 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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalents of approximately HK$74.22 million at the end of reporting period. The Group adopts conservative treasury policies in cash and financial management. Most of the retained cash was placed in Renminbi and Hong Kong Dollars short term deposits and therefore exposure to exchange fluctuations was minimal. The Group also invested in other investments such as bonds and marketable securities to increase financial returns. Total equity attributable to equity holders of the Company as at 30 June 2009 was HK$2,614.91 million compared with that of HK$2,620.21 million as at 31 December 2008, representing a slightly decrease of HK$5.3 million or 0.2%.

The Group's capital expenditure for the Period amounted to HK$21.09 million were funded from internal resources, borrowings and capital market.

Selling and distribution expenses for the six months ended 30 June 2009 decreased to HK$32.13 million representing 14.67% of turnover compared with that of HK$39.31 million or 6.74% of turnover for last period. It was mainly due to decrease in advertising and promotion expenses for cosmetics and skincare products during the Period.

General and administrative expenses increased to HK$197.13 million or 90.02% of turnover for the six months ended 30 June 2009 as compared to that of HK$92.23 million or 15.81% of turnover for the last period, mainly due to the increase in provision of doubtful debts for the Period.

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

The Group's inventory turnover period was increased to 81 days from that of 39 days for the same period last year due to slowdown in sales during the Period. The turnover period of debtors were increased to 95 days from that of 37 days for the same period last year for the same reason as above. The turnover period of creditors was decreased to 45 days from that of 51 days for the same period last year.

Debt to equity ratio (total debt over shareholders' equity) and gearing ratio (total interest bearing debt over total assets) were slightly improved to 16.18% and 9.94% respectively as compared with that of 20.45% and 10.12% respectively for the same period last year. Current ratio and Quick ratio were 0.77 and 0.18 respectively.

PROSPECTS

The Group, in line with the two-pronged strategy employed for a long time, will strive to maintain a reasonable profit margin for its traditional industrial products businesses as well as develop the growth driven cosmetics and skincare products business. These businesses provide stable income for the Group to fund new business developments with promising potential. At the same time, the Group will also capture the tremendous opportunities in the green energy recycling business and biotech field.

NEW BUSINESS WITH ENORMOUS POTENTIAL – GREEN ENERGY RECYCLING

The Group is on the march to grasp the vast potential in the green energy recycling sector. It has already established a pilot plant in Dongguan, the PRC. Construction work in the Yuen Long Industrial Estate is expected to start once the building plan is approved by relevant authorities. Production will commence after the construction of the factory has been completed and equipments are installed.

At starting stage, the Group plans to 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 into overseas markets facing high oil price pressure, such as Singapore, Malaysia and Japan. With the recent skyrocketing crude oil price, the Group believes that this business will bring remarkable returns and become one of the key contributors to the revenue in future.

COSMETICS AND SKINCARE PRODUCTS

Riding on the growing disposable income and strong emergence of the middle class, the Group is well positioned to capture the tremendous opportunities in cosmetics and skincare products market.

Currently, we have 121 skincare products and 11 colour cosmetics under MB's brand name. The Group expects to see the demand for MB growing steadily in the Mainland China and will focus on gaining bigger market share in this market by expansion of sales network.

Note: "MB" stands for the abbreviation of "Marjorie Bertagne", the brand name of cosmetics and skincare products of the Group.

Other than that, we are also engaged in the design and production of 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 our "one-stop service" of this ODM and OEM business, we also provide research and development, sourcing, merchandising and technical enquiries to our customers.

INTERIM DIVIDEND

The Board did not recommend payment of interim dividend for the six months ended 30 June 2009 (2008: Nil).

EMPLOYEE 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 30 June 2009, the Group had 790 employees. Total staff costs paid during the period was approximately HK$25.58 million.

CONTINGENT LIABILITY AND CHARGE OF GROUP ASSETS

As at 30 June 2009, the Group did not have any significant contingent liabilities. As at 30 June 2009, certain bank loans were secured by the properties in PRC.

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.

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.

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.

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 million as compared with HK$92.44 million in the last year. As at 31 December 2006, total market value of marketable securities held by the Group amounted to HK$167.73 million.

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.

OVERVIEW

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.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for the three years ended 30 June 2009 and the three months ended 30 September 2009 with reference to the financial information of the Target Group as contained in Appendix III to this circular:

Business and financial review

The Australian Company is an investment holding company incorporated in Australia on 26 November 2003 with limited liability. Its principal subsidiary, the Mining Company, is a sino-foreign co-operative joint venture corporation enterprise established in the PRC with limited liability principally engaging in exploration, mining, extraction, production, sale, processing, import and export of gold.

For the three years ended 30 June 2009 and the three months ended 30 September 2009, the Target Group generated sales revenue from the sale of gold extracted and the trading of gold purchased from the former owners of its mines. As the Target Group was in the pre-production phase, the revenue from the sale of gold extracted from its mines was capitalised and offset against the capitalised development costs and amounted to nil, nil, approximately HK$19.3 million, nil and approximately HK$9.3 million for the years ended 30 June 2007, 2008 and 2009 and for the three months ended 30 September 2008 and 2009, respectively. For the trading of gold purchased from the former owners of the Mines, the sales proceeds were recorded as revenue of the Target Group in the statements of income and amounted to nil, approximately HK$4.1 million, approximately HK$2.4 million, nil and nil for the years ended 30 June 2007, 2008 and 2009 and for the three months ended 30 September 2008 and 2009, respectively.

According to note 4 of the financial information of the Target Group as contained in Appendix III to this circular, the revenue of the Mining Company increased from approximately HK$4.13 million for the year ended 30 June 2008 to approximately HK$21.69 million for the year ended 30 June 2009, and approximately HK$9.30 million for the three months ended 30 September 2009. However, the Mines have not yet reached sustainable commercial levels of production and until the sustainable commercial levels of production are reached, revenue from sales of gold and the related costs are to be capitalised within development costs.

Commercial levels of production are difficult to ascertain and the decision is usually made after discussions among the accountants, engineers and metallurgists and may be based on a range of criteria, such as:

– a nominated percentage of design capacity for the mine and mill; and

– the achievement of continuous production or other output.

Production and output levels had improved over the past years, but not to the levels at which the Mines were to be deemed to be sustainable.

As referred to note 14 of the financial information of the Target Group as contained in Appendix III to this circular, the Target Group has acquired Mining License at a total consideration of approximately HK$204 million during the year ended 30 June 2008.

As the Target Group is still in the pre-production phase, the cost of goods sold and related mining expenditure as well as the amortisation for land compensation costs are capitalised as capitalised development costs. The amounts of such capitalisation were approximately HK$9 million, HK$38 million and HK$12 million, respectively during the years ended 30 June 2008 and 2009 and during the three months ended 30 September 2009. During the pre-production phase, any revenue generated from gold extracted is treated as a contribution towards previously incurred and capitalised costs and offset accordingly. During the year ended 30 June 2009 and during the three months ended 30 September 2009, the revenue generated and capitalised/offset amounted to approximately HK$19 million and HK$9 million, respectively.

Cost of sales of the Mining Company were high in year 2008 as production was at preliminary stage and had not yet attained high efficiency. The Vendor confirmed that the production efficiency had improved in year 2009 and the Directors expected that the current loss making situation would be improved in the future after Completion.

As further confirmed by the Vendor, the operations of the Mining Company have been suspended since July 2009 solely for the Acquisition and the Company shall resume the operations of the Mining Company after Completion as and when appropriate.

The Target Group recorded loss before tax of approximately HK$3,013,356, HK$17,219,343, HK$34,611,844 and HK$10,358,068 for the three years ended 30 June 2009 and the three months ended 30 September 2009 respectively.

The Target Group recorded loss after tax of approximately HK$3,013,356, HK$17,219,343, HK$34,611,844 and HK$10,358,068 for the three years ended 30 June 2009 and the three months ended 30 September 2009 respectively.

The widening of the losses recorded for the Mining Company was due to the increase in salaries of the staffs from approximately HK$6.67 million for the year ended 30 June 2008 to approximately HK$14.96 million for the year ended 30 June 2009. Such increase was a result of an increase in the average staff number from 234 in year 2008 to 393 in year 2009. In addition, for the year ended 30 June 2009, the Target Group recorded an impairment of deposits paid of approximately HK$4.61 million.

The net losses recorded by the Target Group were mainly attributable to the increase in cost of exploration and staff costs. The Directors shall review all the cost items of the Target Group upon Completion and may adopt a system to monitor and manage the relevant costs of the Target Group.

The Target Group recorded administrative and other operating expenses of approximately HK$3,067,163, HK$16,444,664, HK$35,437,652 and HK$10,643,568 for the three years ended 30 June 2009 and the three months ended 30 September 2009 respectively. Initially set up costs, such as development costs, resulted in a relatively high administrative and operation costs in the past.

Prospects

As a result of the continuous fluctuations of the world economy as well as inflation concerns, the unique investment characteristics of gold provides the much needed value preservation and protective features that central banks over the world have been searching for. Gold is also irreplaceable in ensuring national security and avoiding financial risks. Possible increase in global demand for gold and rise of gold prices would provide additional room for increasing profits for the worldwide gold mining industry and the gold mining industry in the PRC will also be benefited. According to the International Financial Statistics released by the International Monetary Fund, the gold reserves held by the PRC amounted to approximately 1,054.0 tonnes and ranked sixth among central banks globally in September 2009.

Liquidity and financial resources

As at 30 June 2007, 2008 and 2009 and 30 September 2009, the Target Group had no bank borrowings, but with other payables and accruals of approximately HK$439,768, HK$9,289,975, HK$21,168,370 and HK$1,942,300 respectively.

The gearing ratio, expressed as total liabilities over total assets, as at 30 June 2007, 2008 and 2009 and 30 September 2009 was approximately 115.08%, 109.08%, 103.62% and 116.55% respectively. The Target Group had cash and bank balances of approximately HK$3,622,868, HK$31,335,005, HK$7,954,701 and HK$3,551,533 as at 30 June 2007, 2008 and 2009 and 30 September 2009 respectively.

The Target Group's cash and bank balances were primarily denominated in RMB, AUD and US$.

The Target Group had non-current liabilities due to immediate holding company and ultimate holding company of approximately HK$21,693,674, HK$298,246,124, HK$297,834,345 and HK$342,121,111 as at 30 June 2007, 2008 and 2009 and 30 September 2009 respectively.

The amount due to the Vendor as at 30 September 2009 (i.e. the Sale Loans) was unsecured, interest free and had no fixed terms of repayments. The Vendor has agreed not to demand the repayment of the Sale Loan due to it until the Target Group is in a position to do so. In addition, the Company has also agreed not to demand the repayment of the Sale Loan (to be transferred by the Vendor to the Company as part of the Acquisition) until the Target Group is in a position to do so.

As at 30 June 2007, 2008 and 2009 and 30 September 2009, the Target Group's net current assets/(liabilities) were approximately HK$4,189,177, HK$26,721,080, HK$(2,611,181) and HK$3,732,111 respectively.

Capital commitment

The Target Group had capital commitment of approximately HK$182,783,750, HK$1,091,577, HK$48,183,660 and HK$47,760,600 as at 30 June 2007, 2008 and 2009 and 30 September 2009.

Treasury policies

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the three years ended 30 June 2009 and the three months ended 30 September 2009.

Exchange rate exposure

The Target Group has transactional currency exposures as the sales and purchases of the Target Group were mainly transacted in RMB.

The Target Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since the exchange rate of US$ was quite stable during the years ended 30 June 2007, 2008 and 2009 and the three months ended 30 September 2009.

Charge of assets

As at 30 June 2007, 2008 and 2009 and 30 September 2009, there was no pledged of assets of the Target Group.

Employees and remuneration policy

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned. The Target Group also provided other benefits including medical allowance and educational subsidies to all eligible staff. As at 30 September 2009, there were a total of 308 employees in the Target Group according to the information provided by the Vendor.

Acquisition and disposal of subsidiaries

The Target Group did not have any significant investments, material acquisition and disposals of subsidiaries for the three years ended 30 June 2009 and the three months ended 30 September 2009.

On 10 April 2007, the Mining Company entered into an agreement with People's Government of Yuanling Country, Huaihua City, Hunan Province, the PRC for the acquisition of the mining licenses of the eight gold mines, together with the mining rights and any right to profit there from and all the buildings, infrastructure and other visible assets in the eight gold mines, as well as the relevant geological and mining records etc, at a consideration of RMB180 million (equivalent to approximately HK$182,000,000). The eight mining licences were subsequently combined into the Mining Licence.

Contingent liabilities

The Target Group did not have any contingent liabilities as at 30 June 2007, 2008 and 2009 and 30 September 2009.

Security issues of the Mining Company

According to the management of the Mining Company, the Mining Company experienced continued security breaches, theft and other local community issues at the Mines in the past and the amount of the damages could not be assessed according to the Vendor. The Board was aware of the Security Issues when contemplating the proposed Acquisition and it understands that the Mining Company has already contacted and discussed with the relevant local government authorities to ensure that the Security Issues would be resolved in the future. The Mining Company employed 60 former People's Liberation Army soldiers as security guards with an aim to resolving the

Security Issues and to resume productions of the Mining Company. The relevant local government authorities have also taken various steps to enhance the security control. Those steps include (i) the police department has increased the number of duty officers at the police station where the Mines are located; (ii) the police department has assigned two experienced police officers to station at the security post of the Mines and to assist in managing the security team of the Mines; and (iii) an open trial will be held in some areas of the Mines for the purpose of deterring crimes.

Notwithstanding the measures taken by the Mining Company and the local government authorities, there is no guarantee that the Security Issues or any other similar incidents would not happen again in the future. However, the Mining Company considers that the relevant measures are sufficient at present.

Status of the Mining Company

As further confirmed by the Vendor, the operations of the Mining Company have been suspended by the previous vendor (i.e. China Goldmines) as a result of the Security Issues and the acquisition for the Australian Company by the Vendor from China Goldmines since July 2009. The Vendor continued the suspension of the operations of the Mining Company for the Acquisition. The Directors confirmed that the operations of the Mining Company will be resumed after Completion and all the Major Licenses being obtained. As such, additional time may be required for the Mining Company to obtain all the Major Licenses after Completion and may cause unexpected delay to the resumption of operations of the Mining Company in the future. As the PRC legal advisers confirmed that there are no foreseeable legal obstacles for the Mining Company to obtain the Major Licenses, the Directors believed that the operations of the Mining Company could be resumed in short after Completion.

Technical Assessment of Yuanling Gold Project, Hunan Province, China

Report prepared for

Global Green Tech Group Limited

Prepared by

SRK Consulting
Engineers and Scientists

SRK Project Number SHK053

Technical Assessment of Yuanling Gold Project, Hunan Province, China

for

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Executive Summary

Summary of Principal Objectives

Global Green Tech Group Limited ("Global Green" or "the Company"), a company incorporated in the Cayman Islands is considering the acquisition of 100% of interests in Westralian Resources Pty. Ltd. which owns the Yuanling Gold project via a Sino-foreign joint venture company, Hunan Westralian Mining Co., Ltd ("Hunan Westralian") from Cosmos Castle Management Limited ("Cosmos"). The project includes a mining licence, an exploration permit, eight mining systems, and three concentrators ("Yuanling project" or "Guanzhuang project" or "the project") in Guanzhuang Township, Yuanling County, Hunan Province, China. The Company required a summary report from SRK for technical aspects of the projects, including geology, resources, mining, ore processing, and environmental issues for its decision-making.

Outline of Work Program

The work program included:

- Review of data prior to departure from Beijing
- Travel to Yuanling and inspect assets - July 2009
- Discussions with Hunan Westralian operational and management staff
- Collection of data and documents
- Return travel to Beijing and review of data
- Preparation of a draft report
- Provision of a draft report to Global Green for comment
- Completion of the report

Results

Overall

The Yuanling Gold project which Global Green intends to acquire from Cosmos has a mining license, an exploration permit, eight mines, and three ore processing plants with a total production capacity of about 350 tonnes per day ("tpd").

The mining licence and the exploration permit hosts a gold bearing mineralization system discontinuously striking north-easterly for about 6,000m with widths of less than one metre to a few meters in a faulting and quartz veins zone. Previous exploration and exploitation have revealed that the zone extends to depth for at least 480m so far. Based on the geological reports available, and the exploration data and resource updates provided by Hunan Westralian, the project has a historical resource of 2,068,813 tonnes (t) of 333 category resource containing 33,383 kilogram (kg) gold averaging 16.14 gram per tonne (g/t) gold as No. 407 Brigade reported in 2003. Based on the Allen J. Maynard's report and letter, as well as SRK's field inspection, the mine now possesses **a total remained JORC compliant resource of 3.154 million tonnes (Mt) averaging 10.91g/t gold with contained gold of 34.4 t, including 0.217 Mt Indicated resource averaging 13.36g/t with 2.9 t gold, and 2.937 Mt averaging 10.73g/t with 31.5t gold.**

The 8 mines owned by Hunan Westralian are divided into the east section (Zhengjiashan mine, Xianglu mine, Jinzhuwan mine and Jiufa mine) and west section (Shenjiaya mine, Xiaochongzi mine, Baomuyuan mine and Desheng mine). Currently all the underground tunnels in west section have been completed and the 4 mines are internally connected, while the reconstruction in east section is still in process. The mining production has not commenced in Jinzhuwan mine and Jiufa mine as the ventilation system is yet to be perfected, and the Xianglu mine is not in operation either because of the safety issue due to its ultra-high grade. The adit-blind incline development is adopted in all the 8 mines with train hoisting. The cutting and filling mining method is implemented. At present, the level is developed to -240m elevation and the ore throughput is 500t/d.

The capacities for three processing plants, i.e. Desheng, Xiaochongzi (closed), Baomuyuan, are 50t/d, 100t/d and 200t/d, respectively. The amalgamation-flotation is adopted for ore processing to produce bullion and gold concentrate. The main technique flow-sheet comprises of the following steps: crushing-milling and amalgamation-flotation-concentrate and tailings treatment. The gold-bearing material and gangue will be separated to yield gold concentrate, with gold grade at 130-150g/t. The ore is easy to be processed by conventional method and the total gold recovery rate is around 96%.

SRK concludes that the project has a production capacity of 250t/day now, and possesses the potential of increasing resource basis by further exploration. SRK recommends to continuing the strategy of Hunan Westralian, i.e. to do more exploration and upgrade the resource first, and then decide the expansion plan according to the updated resource, while keeping the production at current rate which should generate profit.

Geology and Mineralogy

The ore vein occurred in Late Proterozoic Banxi Group sericite schist, which is controlled by a structure fracture belt with N-E strike. The dozen ore veins stretch along the crushed belt for 6km, and strike and dip for each ore body is of gentle wave structure. The gold occurrence distributes in micro-particle pyrite or quartz vein fissures. Primary gold can be detected in local area with ultra-high grade of 1000g/t.

After SRK's site visit and data review, the gold resource for Hunan Westralian gold mines is summarized as:

In the report (June, 203) compiled by Huaihua Mineral and Geological Exploration Bureau (407 Brigade) of Hunan Geological Exploration Institute, the total resource quantity for all 12 ore veins within project area is 2,068,813t with gold metal quantity of 33,383kg (table below) .

Resource Statement of Yuanling Project （No. 407 Brigade, 2003）

Mine Section	Ore Body	Resource Category	Size			Average Au Grade （g/t）	Ore Quantity （t）	Au Metal Quantity (kg)
			Length (m)	Thickness (m)	Strike （m）			
Shenjiaya	Ⅰ-①	334	350	1.33	117	43.51	156,076	6,791
	Ⅰ-②	334	375	0.85	144	10.36	54,105	561
	Ⅱ-①	333	330	2.98	42	26.09	115,940	3,025
		334	568	2.98	162	26.09	422,450	11,022
	Ⅱ-②	334	254	1.89	144	4.36	222,308	969
	Ⅱ-③	334	216	1.19	142	3.90	67,439	263
Zhengjiashan	Ⅱ-④	334	305	2.53	250	22.58	321,974	7,270
	Ⅱ-⑤	334	480	0.97	200	3.84	151,072	580
	Ⅱ-⑥	334	186	0.96	144	8.37	38,804	325
Xianglu	Ⅱ-⑦	334	242	1.05	124	3.81	51,610	197
	Ⅱ-⑧	334	108	0.76	66	9.86	9,774	96
	Ⅱ-⑨	334	322	3.34	280	4.99	428,617	2,139
	Ⅴ-①	334	180	0.95	130	5.05	28,644	145
Total							**2,068,813**	**33,383**

From 2006, further exploration has been conducted by Hunan Westralian, and additional 21,033.32m drilling work have been completed. The mine uses the new exploration data to update the resources as shown in following tables.

Resource Obtained after 2006
(Indicated Can Be Converted into Recoverable Reserve)

Mine Section	Ore Vein	Resource Quantity		Gold Metal （kg）
		Ore（t）	Grade （g/t）	
Shenjiaya Mine	Xiaochongzi	18,000	6.3	113
	Shenjiaya-1	10,800	9.8	106
	Shenjiaya-2	13,000	14.5	189
	Shenjiaya-3	4,000	7.0	28
	Baomuyuan-1	6,500	4.7	31
	Desheng-1	5,400	27.0	146
	Desheng-2	18,250	12.0	219
	De-sheng-3	9,125	3.1	28
Zhengjiashan Mine	Zhengjiashan-1	52,500	6.6	347
Xianglu Mine	Xianglu-1	12,000	8.0	96
	Xianglu-2	9,000	11.0	99
	Xianglu-3	59,000	26.0	1,534
Total		**217,575**	**13.36**	**2,935**

Mr. Allen J. Maynard, an Australian professional geologist reported a resource estimate of the project in JORC standard in 2007, and provided his professional opinion about the additional resource discovered and estimated by the Mine, as summarized in the table above, and believes that the resource is compliant with JORC Indicated resource. Based on the field inspection and the resource estimates of the Mine and Mr. Maynard, SRK estimated the mined-out resource and remained resource in the table below.

Remained Resource of Yuanling Guanzhuang Gold Mine as of July 2009

Description	Million Tonnes	Average Grade (g/t)	Contained Gold (tonne)
Indicated	0.217	13.36	2.9
Total Inferred Resource	5.5	10.73	59
Inferred (mined)	-2.563	10.73	-27.5
Inferred Remained	2.937	10.73	31.5
Total Resource	**3.154**	**10.91**	**34.4**

SRK notes that the Chinese resource systems are different from the criteria used to define a resource by the Australian Joint Ore Reserves Committee (JORC) code. In general, Category 122b/332 is similar to Indicated and 333 to Inferred, and there is no equivalent to 334. SRK believes that the above resource statement made by No. 407 Brigade may comply with the Chinese standard, and these historical resource/reserve statements are included in this report as part of the historical context. SRK cautions against putting any reliance on these figures beyond this context. The Company should have a professional exploration unit in China to prepare a resource statement based on the newly completed exploration work to update the resource to the Chinese standard.

Exploration Potential

Located on the same ore belt, the gold mine owned by Chenzhou Mining Co, Ltd, has a long mining history over 140 years, and the mining depth is said to be over 1000m. Therefore, there is also great exploration potential in deep area for the project that is developed by Hunan Westralian.

Mining

The company has eight mining operations which are divided into east section and west section. The east section contains four operations which are Zhengjiashan, Xianglu, Jinzhuwan and Jiufa, respectively; the west section contains four operations which are Shenjiaya, Baomuyuan, Xiaochongzi and Desheng, respectively. Presently the company is upgrading the west operations where the four operations have been connected; the upgrading is though also going on in the east section the four operations are not connected yet. As ventilation systems have not been formed in Jinzhuwan and Jiufa operations, no mining is conducted there. As Xianglu has extremely high grade it is not mined for the security of ore.

All the operations are naturally ventilated.

In all the operations the underground accesses are made available by adits and blind declines and materials are hoisted by winches. In all the adits and declines 12kg/m steel rails are used. Bridges are used to connect the decline with each mining level roadways. An emergency compartment is placed every 20m in the declines. In Shenjiaya operation 6 people passenger cars are used to transport personnel in and out of the mine, while in other operations people needs to walk in and out of the mine. The majority of the tunnels are not supported with somelocally supported by timber and bolt.

Presently the company has a mining capacity of 400tpd and it proposes to expand this to 2000tpd in the future.

The company has about 300 people working underground in 3 shifts and 8 hours per shift.

Ore Processing and Metallurgy

Hunan Westralian gold deposit is a stripping shaped quartz vein that is approximate 5km long. A total of 8 ore processing plants had been constructed: Desheng and Baomuyuan plants are still in-operation, four plants had been pulled down and two plants had been stopped operation. The ore handling capacities of Desheng and Baomu plants are 50tpd and 200tpd respectively. Amalgamation-flotation method is used to process underground extraction and producing crude gold ingot and gold concentrate, the flowsheet comprises the fellowing four steps:

1. ***Ore Crushing:*** Dual-stage open circuit is used for crushing raw ore into pieces with particle size being less than 25mm.
2. ***Ore Milling-Amalgamation:*** Crushed ore is milled by one stage close-circuit (consisting of ball mill and spiral classifier), and the particle size is reduced to 80% passing 0.074mm mesh. Amalgamation plate is installed for pre-recovering 20-30% gold which will be smelted to crude gold ingot.
3. ***Flotation:*** This phase comprises 1 × roughing, 2 × scavenging, 2-4 × cleaning. After the separation; the gold concentrate is graded at 130-150g/t, and the total gold recovery rate is around 96%.
4. **Concentrate and Tailings Handling:** The concentrate is dehydrated to a level of moisture content of 11-12% and packed in weaving bags. Tailings are piped to Tailing Storage Facility (TSF), and the tailings' water has not been reused.

Gold is the only recovering component with economic value, based on the production record of April 2009 the gold grade is widely ranged from 2.17g/t to 40.2g/t (12.2g/t in average). Flotation is appropriate to recover most of the gold components except some coarse particle disseminations. Such components are recommended for gravity or amalgamation treatment. According to the relative high recovery rate yielded in the actual production, the ore is identified as easily processed type and the flowsheet is considered as reasonable.

For the purpose of saving cost, enhancing production management and extending production scale, Westralian plans to build a processing plant of 500tpd capacity (undetermined) near Zhengjiashan, which will replace the current two plants. Amalgamation is a restricted gold extraction method by the government, gravity will be adopted in replacing of amalgamation in new plant. SRK reviewed this plan and considered it as reasonable and implementable. The processing capacity should be well matched with the ore reserve and mining scale, and will be identified based on specific feasibility study.

Safety

The Hunan Safety Production Monitoring Bureau issued the *Safety Production Permit for the Baomuyuan Gold Mine, No.2008-6905, Hunan Westralian Mining Company Limited* on 12 January 2008 (valid until 2 December 2009). No other safety approvals and/or permits for the Yuanling Gold Project have been sighted as part of this review.

The Yuanling Gold Project has a comprehensive safety management system, comprising site inductions, site policies, safe work procedures, training, risk/hazard management (including signage), required use of personal protective equipment (PPE), emergency response process, incident/accident reporting, an onsite first aid/medical centre, designated safety responsibilities for site personnel, regular safety meetings and a work permit/tagging system.

The minimum PPE use required on site are hard hat, safety glasses, safety footwear and cap lamps (underground). In addition there are also requirements for the use of hearing protection, respiratory protection and gloves in signposted areas. SRK observed the use of theses PPE during the site visit.

The site safety induction states that all employees will receive training in the following:

- Duty of care.
- Hazard identification and risk control.
- Chemical Management.
- Fire prevention and control.
- Emergency response procedure.
- Accident / Incident Report and Investigation.
- Safe working procedures.
- Job safety analysis.
- Effective safety communication

The detailed safety training programs and for the above areas and the employee safety training records, have not been sighted.

Hunan Westralian has stated that there have been no significant OHS accidents and/or incidents for the Yuanling Gold Project, and that OHS accident and incident statistics are recorded. These OHS accident and incident statistics have not been sighted.

Environmental Assessment

Business Licence No.431200400000094 was issued to Hunan Westralian by Huaihua City Industry and Commerce Administration Bureau on 6 July 2005 (valid until 6 July 2035). The licensed business activities for Hunan Westralian are mineral resource exploration, mining, processing of gold.

The following table summarises the status of approvals and permitting for the Yuanling Gold Project, where the 'Y' denotes the report is completed or the permit is granted, and 'N' means the report/permit has not been completed or is not available, 'NYR' means that report/permit is not yet required for the current operation, 'NS' denotes that the permit has not been sighted and 'n/a' indicates that it is not applicable.

	Guanzhuang Gold Mine	Guanzhuang Gold Mine	Xiaochongzi Processing Plant	Baoyuman/Desheng Gold Processing Plants
	(50tpd)	(400tpd)	(100tpd)	(150tpd)
Mining Licence	Y	NS	n/a	n/a
Environmental Impact Assessment Report (EIA)	Y	NS	NS	Y
Approval for EIA	NS	NS	NS	Y
Water and Soil Conservation Plan (WSCP)	NS	NS	NS	NS
Approval for WSCP (from Water and Soil Bureau)	NS	NS	NS	NS
Final Checking and Acceptance Approval (environmental approval to start formal operation)	NS	NS	NS	NS
Land Use Permit (operational permit)	NS	NS	NS	NS
Discharge Permit	NS	NS	NS	NS
Water Use Permit	NS	NS	NS	NS

Mining Licence No.4300000820405 for the 50tpd Guanzhuang Gold Mine is an amalgamation of eight previous eight mining licences which covered the eight mining sections; Zhengjiashan, Xianglu, Jinzhuwan and Jiufa (east sections); and Shenjiaya, Baomuyuan, Xiaochongzi and Desheng (west sections).

The Environmental Impact Assessment (EIA) Registration Table Reports (Environmental Impact Register for the Alteration and Transfer of the Mine) for the eight mining sections have been sighted. The purpose for these reports was to facilitate the amalgamation of the eight mining sections into Mining Licence No.4300000820405. No approvals for these eight EIA Registration Table Reports have been sighted. Hunan Westralian has stated that no separate EIA report was required for the issuing of Mining Licence No.4300000820405; due to the process comprising an amalgamation of the existing licences (i.e. no additional/new mining areas were granted). However, Hunan Westralian has stated that the current mining production at the Yuanling Gold Project is approximately 220tpd (with a mining production capacity of 400tpd). No EIA report and approval for this expanded mine production has been sighted.

The EIA report and approval for the 150tpd Baomuyuan Processing Plant Expansion Project has been sighted but no copy of this report has been provided to SRK for this review. Hunan Westralian has stated that the '150tpd Baomuyuan Processing Plant Expansion Project' includes the combination of the Baomuyuan and Desheng Processing Plants. No EIA report and approval for the 100tpd Xiaochongzi Processing Plant has been sighted.

No Water and Soil Conservation Plans (WSCP) and Final and Checking and Acceptance reports and the associated approvals for the current project operations have been sighted.

No operational permits (Land Use, Water Use and Site Discharge Permits) for the current project operations have been sighted.

Hunan Westralian has stated that they are currently producing a mine feasibility study, EIA reports and WSCP's to match their current production capacity. No contracts for the completion of these studies and preparation of these reports have been sighted. In addition, no schedule for this program of works and for gaining of subsequent project approvals has been sighted. SRK notes that these reports will need to be completed and approved prior to the amendment (i.e. increased production rate) and renewal of Mining Licence No.4300000820405. SRK also notes that Mining Licence No.4300000820405 expires in January 2010.

The most significant environmental risks for the Yuanling Gold Projects are:

- Water/wastewater management (i.e. water discharges and wastewater management).
- Tailings and waste rock management.
- Land disturbance, rehabilitation and site closure.
- Hazardous material management (mercury).
- Land contamination (historical and current).

The environmental risks associated with land disturbance, water, waste rock, tailings and hazardous material management, can be generally managed if Chinese National environmental standards and regulatory requirements are met.

SK notes that the potential for significant historical and current land contamination due to the use of mercury for ore processing/gold extraction represents the most significant potential environmental risks for the Yuanling Gold Project. The effective management of these environmental risks will require the adoption of recognised international industry practices for contaminated sites assessment and site closure planning.

Social Impact Assessment

The Yuanling Gold Project is located in the Guanzhuang Town 82 km east of the Yuanling County, Hunan Province. The main administrative bodies for the Yuanling Gold Project are the Hunan Provincial Government, Huaihua City and the Yuanling County. The operational regulation of the Yuanling Gold Project has mainly been delegated to the Yuanling County. Hunan Westralian Mining has stated that the relationship with the local village and local county representatives is good. They also stated that no non-compliance notices and/or other documented regulatory directives in relation to the development and operation of the Yuanling Gold Project have been received from the Hunan Provincial Government, Huaihua City and/or the Yuanling County.

The general surrounding land use mainly comprises agriculture with some mining/mineral processing. The general regional area is mainly populated with Han Chinese. There are no documented significant cultural heritage sites, within or surrounding the project area.

No documented historical and/or current, community land access/compensation agreements required for the development of the Yuanling Gold Project have been sighted.

No documented public consultation process for the development of the Yuanling Gold Project has been sighted.

Operating and Capital Cost

Hunan Westralian management stated that the main operations on the mine at this stage are exploration and development. For this reason the statistics on the operation cost may include part of capital cost; therefore the operation cost is relative high. The following figures are the costs that Westralian provided.

Unit mining cost including hoisting to a mining level: RMB 58 Yuan per tonne ore

Average unit mining cost including hoisting to the surface: RMB 116 Yuan per tonne ore

Unit processing cost: RMB 60 Yuan per tonne ore

Management and other: unknown at the moment

Capital cost is not available for SRK to review.

SRK's Recommendations

SRK makes the following recommendations in respect to various aspects for the Project.

Geology and Exploration
At present, we has basically understood the mineralization of Shattered and Altered Belts I and II in the superficial part, while no detailed data on the deep part (200-300m below the surface) is available. In reference with the mineralization of adjacent area (mining depth of Xiangxi Gold Mine is now up to several thousand meters) and in combination with comprehensive analysis on the characteristics of geological structures in the region, SRK thought that the exploration work in the mine sitesite should extend towards deep part, but firstly the geology and structural conditions should be analysed to identify the thickness and distribution range of Segment 4# of Madiyi Formation where the ore is developed.

The deep parts of several shattered and altered belts within the mine site are unknown. If possible, Fractured and Altered Belts VI~VIII in the exploration area should be researched in depth and the drilling should be carried out at optimal location.

Mining
SRK believes that the combination of the 8 operations (the west and east operations) will benefit the company by improving the productivity.

SRK believes that the mining methods adopted by the mines are effective as they have been verified by years of practice.

SRK suggests covering the fill surface or taking other method to prevent the mixing of high grade ore or fine ore with the fill.

The completion of mine feasibility study and design is essential for the proposed production expansion to 2000tpd.

Hunan Westralian is proposing to sink a vertical shaft in the west section for the future production expansion, while SRK suggests that the company should consider a global planning of shafts in the mine.

For Xianglu operation the company should consider the effective monitoring and management methods to prevent stealing of the high grade ore.

SRK suggests the company installing passenger cars in declines that are deeper than 90m.

In Shenjiaya operation, 10kV power line is connected with the underground substation, which can assure the steady supply of voltage on the working face. However, as the tunnel section is small, risks of leaking electricity are existed and SRK suggests an assessment on this power line risks.

Processing
The recoverable elements of ore are mainly gold and silver. Part of gold occurs as coarse grains. SRK recommends that gravity method should be used to recover the coarse gold first, to prevent the loss of the coarse gold.

SRK believes that it is feasible to build a new processing plant at Zhengjiashan which is at the central part of the mine, but the capacity of the plant should be determined based on the resource basis and mining capacity. Further study should be conducted on the matter.

Amalgamation method currently used in the plant is a constraint method in China, because it may cause serious contamination to the environment. Gravity method is a better method to replace the amalgamation method. For the proposed new plant, the gravity method should be employed.

Currently the tailings water is not recycled and it is drained to river directly, which may cause some safety issues and environmental contamination. SRK recommends to carry out the improvement of Baomuyuan tailings pond, or more attention should be paid on the matter.

Environmental Compliance and Management
Project approvals and compliance – Document a detailed program of works schedule for the Yuanling Gold Project that includes:

- The Completion of the project expansion assessment and planning studies (i.e. feasibility study, EIA reports and WSCP's).
- Preparation and submission of the required project assessment and approval documentation.
- Anticipated timing for gaining the subsequent project approvals.

Environmental monitoring and management
Develop and implement an operational EPMP for the Yuanling Gold Project that is in line with Chinese National requirements and recognised international industry practices. This EPMP should include a site environmental monitoring program that covers the quality monitoring of the surface water resources within the project area (including upstream and downstream of the project area), and also any site water discharges (including tailings water).

Land disturbance
Develop and implement an annual process to survey and record the areas of project land disturbance and areas rehabilitated.

Dust management
Develop and implement a site dust management program that includes the dust collection for ore handling and the watering of stockpiles, roads and open areas on an as required basis.

Contaminated sites
Develop and implement a contaminated sites assessment and management process in line with recognised international industry practice.

Site closure planning and rehabilitation
Develop and implement an operational Rehabilitation and Closure Plans for the Yuanling Gold Project that is in line with Chinese National mine closure requirements and recognised international industry practices.

Greenhouse gas emissions
Develop initiatives to quantify Greenhouse Gas emissions and assess possible emission reduction strategies.

Emergency response
Develop and implement and operational ERP for the Yuanling Gold Project that is in line with Chinese National requirements and recognised international industry practice.

Action Plan
Develop and implement a project action plan with a schedule for carrying out the above stated environmental management improvement measures for the Yuanling Gold Project, including cost estimates and budgeting.

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Disclaimer

The opinions expressed in this report have been based on information supplied to SRK Consulting China Limited by Global Green Tech Group Limited and Hunan Westralian Mining Co. Ltd. The opinions in this report are provided in response to a specific request from Global Green Tech Group Limited to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

1 Introduction

Global Green Tech Group Limited ("Global Green" or "the Company"), a company incorporated in the Cayman Islands is considering the acquisition of 100% of interests in Westralian Resources Pty. Ltd. which owns the Yuanling Gold project via a Sino-foreign joint venture company, Hunan Westralian Mining Co., Ltd ("Hunan Westralian") from Cosmos Castle Management Limited ("Cosmos").. The project includes one mining licence covering eight mines, one exploration permit, and three concentrators ("Yuanling project" or "the project") in Yuanling County, Hunan Province, China. The Company requires a summary report from SRK regarding technical aspects of the project, including geology, resources, mining, ore processing, and environmental issues for its decision-making.

2 Program Objectives and Work Program

2.1 Project Objectives

Global Green commissioned SRK Consulting China Limited ("SRK") to review and report on the Yuanling project, owned and operated by Hunan Westralian.

2.2 Purpose of the Report

The purpose of the SRK report is to provide Global Green with an independent report on the Yuanling project for its consideration of acquisition.

2.3 Work Program

The work program included:

- Review of data prior to departure from Beijing
- Travel to Yuanling and inspect assets - July 2009
- Discussions with Hunan Westralian's operational and management staff
- Collection of data and documents
- Return travel to Beijing and review of data
- Preparation of a draft report
- Provision of a draft report to Global Green for comment
- Completion of the report

2.4 Project Team

The SRK project team and personnel of experienced professionals and their duties are shown in Table 2-1.

Table 2-1: SRK Consultants, Title and Responsibility

Name	Title/Discipline	Responsibility
Dr Anson Xu	Principal geologist	Geology and resource/team leader
Changchun Wang	Senior geologist	Resource review and data collection
Yong Huang	Senior mining engineer	Mining section review
Yonggang Wu	Mining engineer	Mining section review
Niu Lanliang	Senior processing engineer	Ore processing review
Peter Smith	Principal consultant	Environmental issues
Dr Yonglian Sun	Principal consultant	Peer review and quality control

Anson Xu*, PhD, MAusIMM,* is a principal geologist with a specialty of exploration of mineral deposits. He has more than 20 years experience in exploration and development of various types of mineral deposits including copper-nickel sulfide deposits related to ultrabasic rocks, tungsten and tin deposits, diamond deposits, and in particular, various types of gold deposits, including vein-type, fracture-breccia zone type, alteration type and carlin type. He was responsible for resource estimations of several diamond deposits, and review of resource estimations of several gold deposits. He has recently completed several due diligence jobs for clients in China, including gold, silver, lead-zinc, iron, bauxite, and copper projects, and several technical review project, as well as Canadian NI43-101 and

HKSE IPO technical reports. Dr Xu was the project manager, and is responsible for reviewing geology and resources and the chief compiler of the project.

Changchun Wang, ***Deposit Geologist,*** Major of geomechanics and graduated from Changchun Geological Institute in Jan, 1982. He has been involved in regional geological survey, exploration, and geological mineralization area for over 20 years and accumulated abundant experience. In addition, he has involved and hosted many exploration and tectonic study projects of precious metals, nonferrous metals and nonmetal materials. Mr. Wang assists Dr. Xu for the review and reporting on geology and resources.

Yong Huang, is a senior mining consultant with SRK China. He graduated from the Ecole des Mines de Paris in France and Central South University in China. He is a senior mining engineer with more than 20 years experience in mine planning, design and management. He worked for JMTK Ltd in Jiangxi as managing director from 2001 to 2007 and was vice chief engineer for Jiangxi Copper Corporation Ltd from 1998 to 2001. From 1982 to 1998, he worked in Dexing Copper Mine as assistant engineer, engineer, senior engineer and vice chief engineer. From 1986 to1987 he trained at Bouganville Copper Ltd in mine management and planning. He has expertise in computer based open pit and underground mine design, mine planning and production. His achievements in the above fields received awards from the China Non-ferrous Metal Industrial Corporation Ltd. Mr Huang recently joined SRK, and has conducted several projects involving public listing technical reports, and mining designs. He is responsible for the mining section of this report.

Yonggang Wu, ***MSc（Eng）Mining Engineer***, has 4 years experience in mine planning and designing. His expertise is in mine modelling for the operation on the deposit of precious metals（Au）and cheap metals（Cu）and other non-ferrous metals. He is skilled in mine modelling by using MingSight and Auto CAD. Mr. Wu assists Mr. Huang in the review and reporting.

Lanliang Niu, ***BEng, Senior Processing Engineer***, graduated from Beijing University of Science and Technology in 1987. After graduation, he worked at Henan Rock and/ore Testing Centre and Zhengzhou Mineral Exploitation Researching Institute of China Academy of Geological Sciences. He has more than 20 years experience in metallurgical testing and other mine technical service and 10 years in both metallurgical testing research and mine operational practice. He has been involved in the metallurgical study of precious metal minerals including: Pt, Au, Ag; non-ferrous metal minerals including: Pb, Zn, Cu, Mo; ferrous metals minerals including: Fe, Mn, Ti, and other non-metal minerals like Kyanite, Fluorite, Barite, Rutile, Graphite. He is an expert in precious metal wet-type metallurgy and sulfide ore flotation. He has received second and a third prizes from the National Geology and Mine Ministry for his outstanding achievements in this area. Since joining SRK, he has been responsible for ore processing and metallurgical scope of work and involved in many key projects such as the Due Diligence Report on the Sumaochagan Aobao Fluorite mine for Shenzhou Mining Company for the American Stock Exchange listing, Independent Technical Report for Jianshui Titanium Mine in Yuannan, Longxi Iron Mine in Hebei, Hami Ni and Cu Mine in Xinjiang, Butuo and Huili Lead and Zinc Mine in Yuannan, Jiashengpan Lead and Zinc Mine in Inner Mongolia. Mr Niu wrote and reviewed the processing and smelter section of the project.

Peter Smith, BSc, MAusIMM is a principal consultant (environmental) with SRK Consulting China. He is an environmental scientist with over 17 years experience in environmental management for the mining and mineral processing industries from Australia and China. He has also undertaken environmental due diligence reviews for projects in Mongolia, Uruguay and Serbia. He has been involved in all aspects associated with exploration, mining and processing and has particular expertise in environmental due diligence reviews, environmental auditing, environmental impact assessment, project approvals and permitting, environmental management systems, rehabilitation and closure planning, and environmental risk assessment. Mr Smith was responsible for the review of environmental issues.

Dr Yonglian Sun, *BEng, PhD, MAusIMM, MIEAust, CPEng*, is a principal consultant and the managing director of SRK China with over 20 years experience in geotechnical engineering, rock mechanics and mining engineering in five countries across four continents. He has extensive international mining experience with an emphasis in site investigation, analysis and modelling of geotechnical issues in open pits, underground mines and tunnels. He also has considerable experience in project management and project evaluation in assisting mines for fund-raising and overseas stock listings. He has recently coordinated and worked on a number of due diligence projects such as Lingbao Gold, China Coal, and Yueda Holding's Pb-Zn, and Xinjiang Xinxin Cu-Ni projects. All have been successfully listed on the HKSE. Dr Sun isthe peer reviewer of the report to ensure the quality of the project.

2.5 Statement of SRK Independence

Neither SRK nor any of the authors of this report have any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Global Green in regard to the mineral properties that are the subject of this report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

2.6 SRK Experience

The SRK group employs over 900 professionals internationally and has 38 permanently staffed offices in 16 countries on six continents. SRK Australasia has about 100 staff in five offices in Perth, Sydney, Newcastle, Melbourne and Brisbane. SRK China has the head office in Beijing with a satellite office in Nanchang, Jiangxi province. SRK has considerable experience in providing Independent Expert Reports for companies listed on stock exchanges in Australia, Britain, Canada, Hong Kong, South Africa and the US. In China, SRK has provided Independent Expert Reports for companies as shown in Table 2-2.

Table 2-2: Recent Reports to HKSE by SRK

Company	Year	Nature of Transaction
Yanzhou Coal Limited (listed in HKSE)	2000	Sale of Jining III coal mine by parent company to the listed operating company
Chalco (Aluminium Corporation of China)	2001	Listing on HKSE and New York Stock Exchange
Fujian Zijin Gold Mining Group	2004	Listing on HKSE
Lingbao Gold Limited	2005	Listing on HKSE
Yue Da Holdings Limited (listed in HKSE)	2006	Acquisition of shareholding in mining projects in Yuannan China
China Coal Energy Company Ltd (China Coal)	2006	Listing on HKSE
Sino Gold Mining Limited	2007	Dual Listing on HKSE
Xinjiang Xinxin Mining Industry Company Limited	2007	Listing on HKSE
Kiu Hung International Holding Limited	2008	Acquisition of shareholding in coal projects in Inner Mongolia China
China Shenzhou Mining and Resources Inc	2008	Listed (SHZ) on the American Stock Exchange

2.7 Indemnities

As recommended by the VALMIN Code, Global Green has agreed to provide SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Global Green or from Global Green not providing material information, or;
- which relates to any consequential extension workload through queries, questions or public hearings arising from this report.

2.8 Forward-Looking Statements

Technical assessments of mineral properties are inherently forward-looking statements, which being projections of future outcomes will necessarily differ from actual outcomes. Errors in such projections result from inherent uncertainties in the interpretation of geologic data.

3 Location, Access, Climate and History

3.1 Accessibility, Climate, Infrastructure, and Physiography

The Yuanling gold project consists of one mining license (covering eight mines), one exploration tenement, and two ore processing plants, all of which are located in Guanzhuang Township, Yuanling County, Hunan province, China.

Access to the region is excellent. Vehicle access is by freeway from Changsha to Guanzhuang Town for about three hours, then a few of kilometres of paved road from Guanzhuang to the project sites. There are daily flights available between Beijing and Changsha. Figure 3-1 shows the general location of properties.

Figure 3-1: General Local Map of Yuanling Gold Project

The project region consists of low-medium relief terrain and hilly area. Elevation of the area ranges from 300m to 800m above sea level (ASL) with intensive cutting and big relief. The climate is a typical subtropical monsoon climate with four distinct seasons and ample rainfall in the transfer period from spring to summer. The annual average rainfall is 1450mm, and the annual average temperature is 16.6 degrees Celsius (°C), the highest monthly average temperature is 28°C in July, and the lowest monthly average temperature is 4.6°C in January.

The local economy is based on agriculture and mining industries. The gold mine of Chenzhou Gold Mine is the largest enterprise in the region. Manpower and electricity are abundant. Streams and rivers are also abundant, so water supply is sufficient.

3.2 Mining License and Exploration Permit

Hunan Westralian owns one mining license and one exploration permit. Copies of licence and permit are presented in Appendix 2 and a summary of licence and permit is given in Table 3-1 and Table 3-2.

SRK notes that the exploration permit will expire on September 5, 2009.

Table 3-1: Mining Licence Held by Hunan Westralian Mining Co. Ltd.

Item	Licence No. 4300000820405
Owner	Hunan Westralian Mining Company Limited
Mine name	Guanzhuang Gold Mine
Location	Guanzhuang Township, Yuanling County, Hunan province
Enterprise type	Limited Company
Mineral species	Gold
Mining method	Underground mine
Production capacity	15,000 tonnes per annum (tpa) of ore
Mine area	6.3124km^2
Valid period	August 2008 to January 2010
Issue date	August 8, 2008
Elevation limit	350 to -230m ASL in an area defined by five points

Table 3-2: Exploration Permit Held by Hunan Westralian Mining Co. Ltd.

Item	Permit No. T43120080902014497
Owner	Hunan Westralian Mining Company Limited
Project name	Shenjiaya Gold General Prospecting
Location	Guanzhuang Township, Yuanling County, Hunan province
Map sheet no	H49E021012, H49E021013
Permit area	19.75km^2
Valid period	September 6, 2007 to September 5, 2009
Issue date	September 16, 2008
Exploration unit	No. 407 Brigade of Hunan Bureau of Geological Exploration and Development of Mineral Resources

4 Geological and Mineral Inventory Assessment

Prior to 2007, in the present Hunan Westralian project, there used to be eight small independent mines which are respectively Shenjiaya, Desheng, Baomuyuan, Xiaochongzi, Zhengjiashan, Jiufa, Jinzhuwan and Xianglu. In December 2007, Hunan Westralian acquired the 8 small gold mines. In August 2008 the company combined these eight gold mining rights into one and renamed it as Hunan Westralian Guanzhuang Gold Mine. The combined area of mining rights is 6.3126Km2. To describe simply, this report is based on the original eight small gold mine of natural geographic location by dividing them into three sections which are Shenjiaya, Zhengjiashan and Xianglu.

4.1 Regional Geology

Geo-tectonically, the project is in the southern part of South China plate anticline. Tectonic movement occurred in several billions of years ago created the conditions for the formation of a number of polymetallic deposits and the regional geology is indicated in Figure 4-1. Regional geological body is mainly Proterozoic strata but lacking magmatic rocks; the faults are developed.

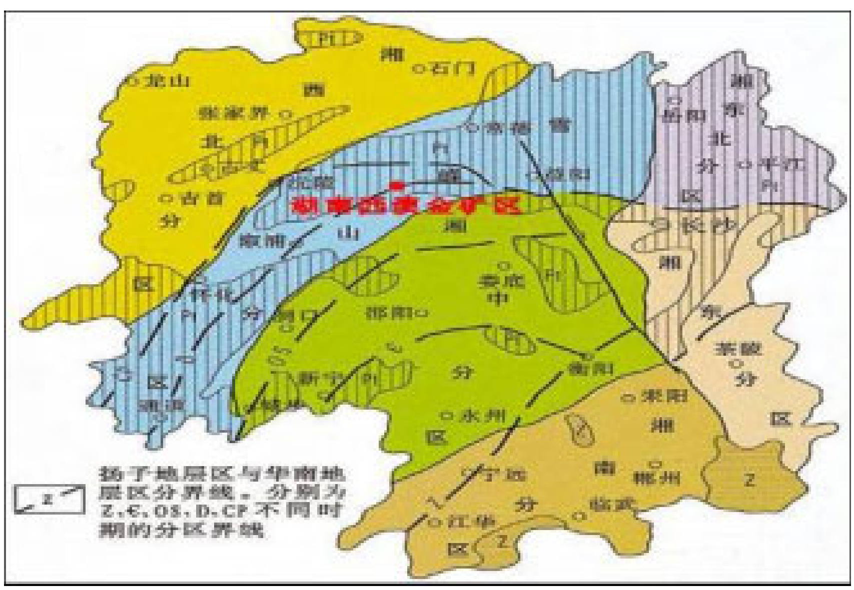

Figure 4-1: Geological Structure in Hunan Province

4.1.1 Strata

In this region the exposed strata are Middle Proterozoic Lengjiaxi Group (Pt2l), Upper Proterozoic Banxi Group (Pt3b), Sinian (Z), Lower Paleozoic Cambrian (∈), Mesozoic Cretaceous (K) and the Cenozoic Quaternary (Q). Lengjiaxi group Banxi group and Cretaceous are most widely distributed, accounting for more than 85% of the total area.

Strata of Sinian and Cambrian outcrop relative completely and the rest outcrop partially. Regional geology is indicated in Figure 4-2.

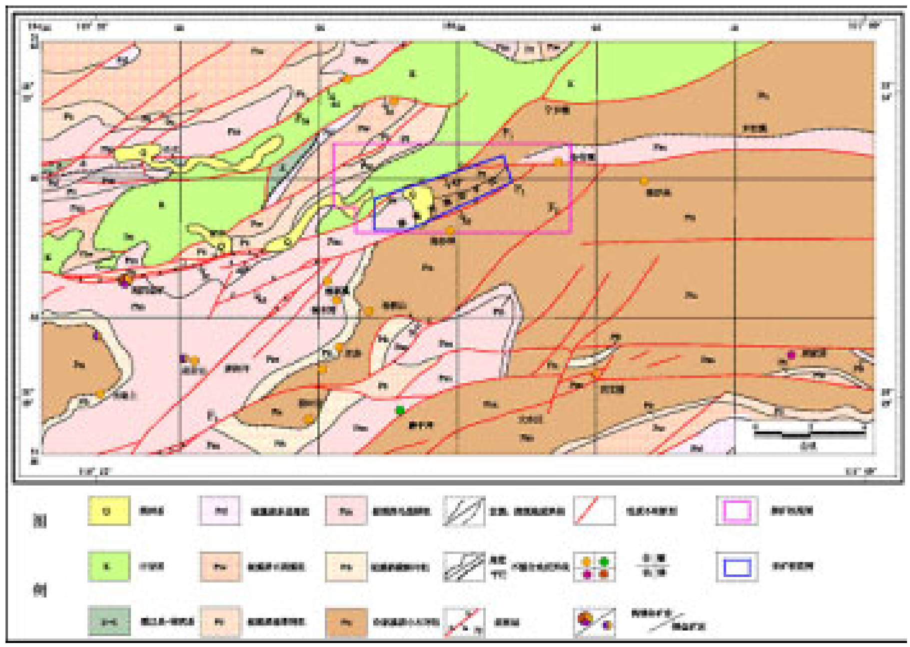

Figure 4-2: Regional Geological Map of Xiangxi and Guanzhuang Gold Mine

In the **Lengjiaxi Group** only Xiaomuping Formation outcrops, which mainly distributes to the east of Zhuangfan - Yangliu Hill - Shenjiaya – the east of Ningxiangpu, and its lithology is grey-green banded sandy sericite slate, silty slate intercalated with sericite metamorphic argillaceous quartz sandstone and siltstone.

Banxi Group has the main strata that host the mineralization of gold, copper and antimony. From bottom to upper there are Hengluchong Formation, Madiyi Formation, Tongtawan Formation, Wuqiangxi Formation and Duoyitang Formation.

Hengluchong Formation
The lower part is a set of coarse clastic deposit with mainly metamorphic rocks, conglomerate sandstone debris and gravelly or sandy slate; upper part is fine-grained lithic sandstone interclated with silt slate. And it has unconformity contact with the underlying Xiaomuping formation in Lengjiaxi Group.

Madiyi Formation
It is the symbolic formation in the Banxi group and also a major regional mineralization bearing formation. This formation is greater than 2400m thick. The region's major gold and copper mineralization is hosted in the formation of the group.

Tongtaiwan Formation
Thick layer of grey-green banded slate intercalated with banded silty fine medium-grained metamorphic feldspar quartz sandstone with horizontal bedding developed and we can see a small ripple bedding, graded bedding and lenticular bedding.

Wuqiangxi Formation
This formation has clear lithology and lithofacies, and from bottom to top is divided into three lithologic members:

1st member: grey and greyish yellow thick layer of fine-grained feldspar quartz sandstone, grey-green sandy slate and at the bottom it is gravel and coarse sandstone and fine conglomerate metamorphic quartz with horizontal bedding developed, showing plate-like oblique bedding.

2nd member: grey-green thin to thick layer of banded slate, containing silty slate, sandy slate intercalated with thick layer of light grey metamorphosed siltstone, horizontal strip development, see microwave-like bedding.

3rd member: thick layer of light grey metamorphosed fine-grained feldspathic quartz sandstone intercalated with silty slate, with horizontal bedding developed.

Duoyitang Formation
Thick layer of grey-green banded silty slate and sandy slate intercalated with grey-green to dark grey thick layer of feldspar quartz sandstone.

Sinian Strata
It is mainly distributed in the western of the region in narrow band shape with an area of about 1km^2. It is greyish yellow massive medium-grained feldspar quartz sandstone and lithic quartz sandstone with development of horizontal bedding and bedding plate; having unconformity contact with the underlying Proterozoic stratigraphic.

Palaeozoic Strata
It outcrops in the Cambrian (∈) and distributes along the Sinian strata. It is black shale and siliceous rock, containing Mo, Ni, V and other metals; it is a deep-water continental slope stagnation-flow deposit. The middle and upper series are carbonate rocks, belonging to shallow marine shelf deposit. And it has integrated contact with the underlying Sinian strata.

Mesozoic - Cenozoic Strata
Cretaceous (K): it has unconformity contact with the underlying strata, and in the map it is shown mainly in the north-western district of Yuan - Ma basin which is thick layer of red river and lake clastic deposition with lithology of conglomerate, pebbly sand-conglomerate sandstone and silty mudstone. Sandstone-type copper is hosted in the strata.

Quaternary (Q): it is alluvial river deposit with the locally gold occurrence.

4.1.2 Regional Structure

It is in the west of Lengjiaxi uplift. Regionally there are two structural zones.

Xuefeng-Caledonian tectonic zone consists of the Banxi group, Sinian and Cambrian systems. It has mainly NE and NEE deep folds and faults where the folds dip gentle at limbs, and the deep and large faults have the characteristics of multi-period events.

Yanshan tectonic zone is mainly in Cretaceous system with the north-east and north-north-east faults and open folds.

Although the above two tectonic zones have deformation of varying intensity, the structural line is mainly in the direction of northeast and secondly of NEE in generally convex arc shape.

Folds

Discovered folds are mainly in the tectonic zone of Xuefeng-Caledonian. They are broad and gentle asymmetric anticline folds and their characteristics are as follows:

It is in NEE direction and shown in the middle of the map; it is extruding to the north and dipping to the southwest. The crest strata are Xiaomuping formation in Lengjiaxi group and Hengluchong formation in Banxi group.

The South limb has occurrence of 120-150°∠ 30-59° (dip direction ∠ dipping angle); the north limb has occurrence of 330°∠30°. Rock cleavage develops. The axial surface has occurrence 330° ∠80°; the hinge has occurrence 64° ∠18°. It is an open complex anticline with nearly vertical axial plane. The discovered gold mineralization distributes in the two limbs of the fold. It controls the gold mineralization in a substantial level.

Faults

Faults are well developed and cutting into each other. Their structure lines are mainly in the direction of mainly northeast and secondly NNE. NE-trending faults are the most developed with large-scale; north-south trending fault and near east-west faults are normal fault. Two major faults are F1, F2, and their features are:

Guanzhuang-Ningxiangpu fault (F1): Mesozoic and Cretaceous strata outcrop to the north of the fault; Proterozoic strata outcrop to the south of the fault. The fault strikes in NE to NEE direction and in arc bending. It cuts cross the whole area with a total length of 30km and fracture zone width of 3-25m. In the fault, breccia and cataclasite are developed. Sub-faults join together at some places along the fault. In the fracture zone quartz vein occurs with features of flexure, stretch, pull off and narrowing. The whole fault plane dips to the north with general dip angle of 30-45°. In the footwall and hanging wall there are developments of cleavage, schistosity and lentilization. The discovered deposits of Woxi(Xiangxi), Guanzhuang and Lengjiaxi distribute along the fault in chain shape.

Shenjiaya - Jinzhuwan fault (F2) is located in the south of the mining area and outcrops 25km in the mining area. It strikes northeast, dips southeast and the dip angle is from 30-60°. The hanging wall is in Ptx, and the footwall is in Ptm1. It controls the south of the deposit and relates with the mineralization. In the broad fracture zone it can be seen that breccia shows obvious silicification, sericite and weak gold mineralization. Fracture zone thickness is greater than 10 m, filled by quartz, slate, sandstone and other fault breccia and clay. Breccia was sub-angular - sub rounded, slightly with directional distribution of 2-5 mm diameter gravel, individual up to a few centimetres.

Dishuiping - Mingxikou overthrust fault (F3), strikes 55°, dips 180° -150° and the dip angle is 35° and it is a few meters to tens of meters wide. Fault zone is formed by a number of fracture surfaces; fault breccia is in directional arrangement of widely silicified; pyritization and chloritization can be seen. The footwall and hanging wall have traction structures. Gold and copper occurrences are discovered along the fault. F3 fault is significantly related with the mineralization.

4.1.3 Regional Mineralization

The region is rich in mineral resources where there are dozens of minerals identified as industrial useful and a few of them are gold, copper, tungsten, antimony, lead and zinc. In the region there is one large scale stated owned mine (Xiangxi Gold Mine) and a few small scale private mines.

Gold is the most important mineral in the region with up to 27 occurrences. Gold mineralizations are in two types which are fracture alteration type and quartz vein type. The mineralization in Xiangxi gold mine is the typical fracture alteration type. It is large in scale, stable and deep in extension and famous for the paragenesis of gold tungsten and antimony.

4.2 Deposit geology

Hunan Westralian possesses an exploration license of 19.75 Km^2 and a mining license of 6.31 Km^2, which is covered by the exploration license. The "area" "tenement" "mining area" or "project area" mentioned in this section of the report is referring to the area inside the exploration license. Figure 4-3 is the geological map of the project.

4.2.1 Stratigraphy

The main outcropping strata are Xiaomuping Formation in Lengjiaxi Group of Mesoproterozoic and Madiyi Formation, Tongtawan Formation and Wuqiangxi Formation in Banxi Group in Upper Proterozoic, Cretaceous and Quaternary.

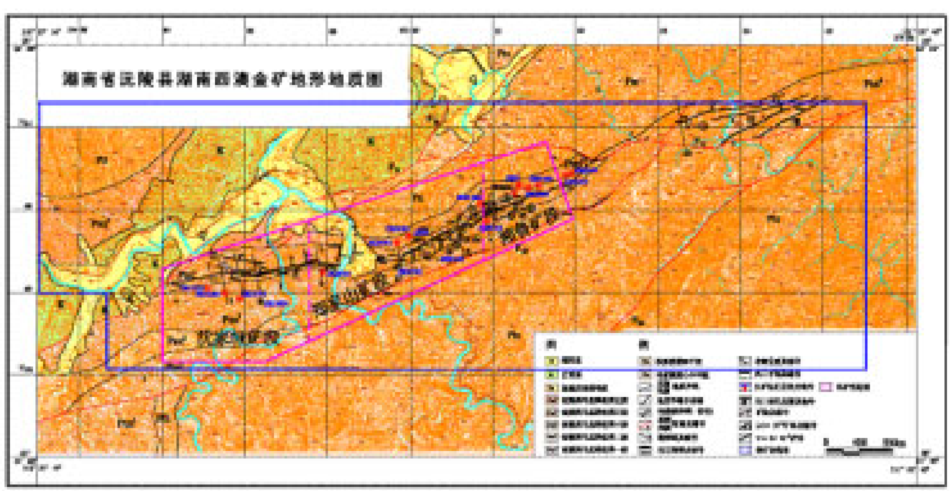

Figure 4-3: Geological and Topographical Map of Guangzhuan Gold Mine

Xiaomuping Group (Pt2x):
It mainly distributes in the east of the mining area and it is the oldest strata within the mining area. It strikes northeast dips southeast at 120 to 150 degrees and the dip angle is from 25 to 60 degrees. Lithologies are green grey - grey-green banded silty sericite slate, local intercalated with layered metamorphic argillaceous quartz sandstone, siltstone, and limestone lenses. Milky white quartz veins are developed; in the veins, pyrite, chalcopyrite,

etc., and locally gold can be seen. Plate tectonic cleavages are developed; strata occurrence possesses large variation.

Madiyi Group (Pt3m):
It outcrops in the southwest and northeast parts of the project area. The 4th member of the Formation hosting the mineralization within the tenement.

This member generally contains high carbonate containing grey-green banded sericite silt slate. Micro-bedding structures are developed; mineral contents in each layer are basically the same, Dark micro-bedding is formed from dark (such as iron oxide, etc.) clay, silt and some carbonate mineral; light colour micro-bedding contains more silt and carbonate without dark mineral. In the rock gravel, bean or lens shape sedimentary clay gravel can be seen locally. Gravels are in granular of 5 to 10 millimetres. This member is the gold hosting section. The member can be divided into the following three parts by lithology and colour:

Lower is the interlayer of purple silty slate and green silty slate where banded structure develops evenly. It is formed by purple and grey-green materials alternately. Purple belt is about 1-3 mm thick; grey-green belt is about 5-10 mm thick. In the centre, there is grey-green, sericite slate, silty slate intercalated with calcium slate, limestone and clay interlayer fracture zone. Rock is distinguished by high content of carbonate minerals of about 5-10%, partial 40%, small particles of calcite, crystalline clay and fine-crystalline evenly dispersed in the clay mud. Dolomite can be seen at strong mineralization. Interlayer fracture zone is the direct host fro the ore body and it is stable along strike.

Upper is interlayer of purple and grey-green sandy slate intercalated with calcareous sericite slate. It is formed by purple and grey green muddy and silt material which contains 1-3% of the calcite carbonate rock.

5th member (Pt3m5) is purple and grey silt slate, grey-green metamorphic fine-grained sandstone lenses, thin sandy slate and slate. It has post structure developed without alteration and with little quartz vein.

Tongtawan Group (Pt3w):
It outcrops at the east of Wuqiangxi formation, strikes to northeast, covers an area of 2km^2 in the project area. The lithologies in this formation are described in the regional geology chapter.

Wuqiangxi Group (Pt3t):
It outcrops in the northwest of the project area and covers an area of less than 1km^2. The lithologies are described in the regional geology chapter.

Cretaceous (K):
It is thick red deposition of debris of river and lake. The Lithology is conglomerate, pebbly sandstone and sandy conglomerate intercalated with silty mudstone. In this mining area there is fault contact with the underlying Proterozoic strata.

Quaternary (Q):
For the river terrace alluvium is composed primarily of sand and gravel, loess, sand and so on.

4.2.2 Structure

In the project area the main structures are faults. Folds structure is shown as a mono-cline of the Proterozoic strata.

Folds
In the project area, the fold is a mono-cline structure that strikes northeast and dips southeast. Impacted by multiple stages of activities, strata are reversed and rocks are deformed. Fold structure presents features of interior sub-folds. The early folds strike NEE and have close relation with mineralization. The anticline in the calcareous sericite slate in the 4th member of Madiyi formation controls mineralization collectively. Gold mineralization mainly distributes along two limbs of the anticline.

Faults
The major faults are F1, F2 and interlayer faults where they control respectively the north and south edge of the deposit. The two faults extend in parallel in the majority of time but joins at Jizhuxi in the east. Interlayer faults are developed in the anticline in the calcareous sericite slate in the 4th member of Madiyi formation. It is the mineralization hosting structure.

F1 Fault
Regionally it is part of Guanzhuang and Huangtupu over thrust (commonly known as woxi - Lengjiaxi major fault). It outcrops 9km at the north of the mine. It strikes NE to NEE, dips NW and its dip angle is 40 degree.

Silicification can be seen in the west of the mining area. Sericitized fractured breccia zone and the Schistosity zone is the boundary of the Cretaceous hanging wall and the Proterozoic footwall. It is a main mineralization related structure.

F2 Fault
It is a part of the regional overthrust fault, located at the south of the mining area, outcropping 9km in the mining area. Its hanging wall is middle Proterozoic Xiaomuping formation and its footwall is upper Proterozoic Madiyi formation. It controls the south boundary of the deposit and it is one of the major mineralization related structure. Silicification sericitization and weak gold mineralization developed in the structure breccia in the fractured zone. The fracture zone is up to 10m thick composed of quartz vein, slate and sandstone. Breccia is in angular and round shape where the granular size is 2 to 5 millimetres and the largest one is up to 4 centimetres.

4.3 Ore Body Geology

There are 11 gold veins outcropping in the Guanzhuang gold mine, which are hosted in the fracture zones in the sandy slate in the 4th member of Madiyi formation Banxi group. Mineralization is controlled by the fracture alteration belt.

No.1 alteration belt starts in the west from the No. 11 and No.9 lines and ends at the east of the No.0 line. It curves, bends and extends 1300m long. It is normally 2 to 3m and up to 14m thick. It dips generally to the south and its dip angle is 57 to 68 degrees. No.1-1 and No.1-2 orebodies are hosted in the west of the belt.

No.2 alteration belt starts in the west from the west boundary of the mining license and extends exceeding mining license at the east. It is 5400m long in total, 2 to 20m thick and up to 50m thick, strike to south and north and it dip angle is 50 to 80 degrees. The No.2-1 and 2-9 orebodies are hosted in the belt. The belt is the most important mineralization related structure.

Except these two belts aforementioned, in the east of the tenement there are still belts of No.5, 6, 7 and 8 which are similar to the No.1 and 2. They are 900 to 1300m long and 2 to 20m thick. However, no industrial scale gold mineralization has been found in these belts.

4.3.1 Orebodies

Shenjiaya Section

The project area to the west of the No.0 exploration line is called Shenjiaya section where there are orebodies of No.1-1, 1-2, 2-1, 2-2 and 2-3. All these orebodies present similar occurrences indicated in Figure 4-4.

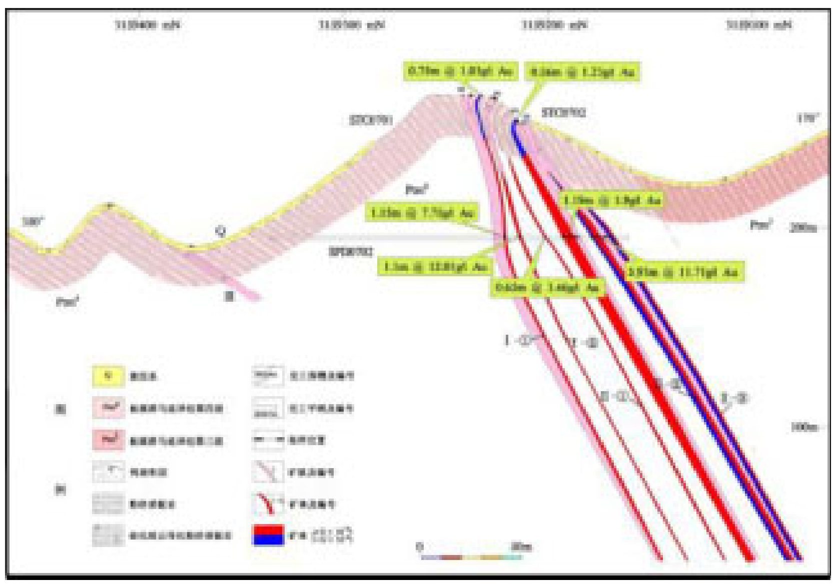

Figure 4-4: Cross-section of the No.7 exploration line in Shenjiaya section

No.1-1 orebody outcrops 440m long on the surface; it is 1.33m thick in mean and 117m deep in extension. Mineralization elevations are from 178 to 270mRL. Gold mean grade is 43.51g/t.

No.1-2 orebody outcrops 320m long on the surface; it is 0.85m thick in mean and 144m deep in extension. Mineralization elevations are from 196 to 260mRL. Gold mean grade is 10.36g/t.

No.1-3 orebody outcrops 664m long on the surface; it is 2.98m thick in mean and 162m deep in extension. Mineralization elevations are from 178 to 270mRL. Gold mean grade is 26.09g/t and the extreme grade is 71.10g/t.

Zhengjiashan section

The project area from No.10 to 22 exploration lines is called Zhengjiashan section where there are orebodies of No.2-4 and 2-5

No.2-4 orebody outcrops 306m long on the surface; it is 2.53m thick in mean and 250m deep in extension. It dips north at angle of 70 degrees. Its elevations range from 39 to 40m and the average gold grade of 22.58g/t.

Xianglu section
The project area from the No.22 to 28 lines is called Xianglu section where there are orebodies of No.2-6 and 2-9.

No.2-8 orebody outcrops 236m long on the surface; it is 0.76m thick in mean and 182m deep in extension. It dips north at angle of 50 to 60 degrees. Its elevations range from 145 to 230m and the average gold grade of 9.86g/t.

No.2-9 orebody outcrops 504m long on the surface; it is 3.34m thick in mean and 280m deep in extension. Its occurrences are the same as No.2-8. Its elevations range from 160 to -20m and the average gold grade of 4.99g/t.

Other orebody features are indicated Table 4-1.

Table 4-1: Orebody features of Guanzhuang Gold Mine (after No. 404 Brigade)

Section	Ore body No.	Length (m)	Average thickness (m)	Extension depth （m）	Average grade (g/t)	Grade variation coefficient (%)
Shenjiaya	Ⅰ-①	440	1.33	117	43.51	103.0
	Ⅰ-②	320	0.85	144	10.36	33.2
	Ⅱ-①	644	2.98	162	26.09	136.0
	Ⅱ-②	376	1.89	144	4.36	2.9
	Ⅱ-③	215	1.19	142	3.90	/
Dengjiashan	Ⅱ-④	306	2.53	250	22.58	231.3
	Ⅱ-⑤	471	0.97	200	3.84	39.2
Xianglu	Ⅱ-⑥	186	0.96	144	8.37	26.8
	Ⅱ-⑦	193	1.05	124	3.81	/
	Ⅱ-⑧	236	0.76	182	9.86	/
	Ⅱ-⑨	540	3.34	280	4.99	35.1

After acquisition, Hunan Westralian conducted some underground drillings in three sections and obtained the following results for the orebody features which are indicated in Tables 4-2 to 4-4.

Table 4-2: Orebody features in Shenjiaya Section (Hunan Westralian)

Ore Body No.	Average dip Angle (°)	Ramp Area (m^2)	Average thickness (m)	Volume (m^3)	Average grade (g/t)
SJY-Ⅰ-①	55	745	2.70	2,012	5.54
SJY-Ⅰ-②	53	592	0.95	562	3.92
SJY-blind-①	53	172	1.74	299	3.55
SJY-Ⅱ-①	57	745	1.67	1,244	3.65
	57	2,081	1.33	2,768	4.38
	65	4,025	1.46	5,877	3.38
	62	484	1.44	697	2.75
	60	923	1.73	1,597	4.21
	62	404	1.34	541	4.63
SJY-Ⅱ-②	56	601	1.84	1,106	2.92
	56	544	1.84	1,001	2.92
SJY-Ⅱ-③	70	189	1.58	299	6.81
SJY-Ⅱ-④	84	156	2.20	343	2.99
SJY-Ⅱ-⑤	80	329	1.05	345	5.31
SJY-Ⅱ-⑥	60	912	1.30	1,186	2.58
SJY-Ⅱ-⑧	55	306	1.75	536	3.30
SJY-Ⅱ-⑾	70	247	0.95	235	2.84
SJY-Ⅱ-⑿	80	539	0.9	485	5.35
SJY-Ⅱ-⒀	52	3034	3.00		12.50
SJY-Ⅱ-⒁	52	3,804	3.00		12.50
SJY-Ⅱ-⒂	56	19,084	2.00		9.00
SJY-Ⅱ-⒃	53	11,143	2.00		9.00
DS-Ⅰ-①	70	395	1.48	585	4.29
	59	425	1.66	706	2.80
	70	409	1.48	605	4.29
	59	1,143	1.66	1,897	2.80
DS-Ⅱ-②	58	5,240	3.00		15.50
DS-Ⅱ-①	56	682	0.88	600	3.62

Table 4-3: Orebody Features in Dongjiashan Section (Hunan Westralian)

Ore Body No.	Average dip Angle (°)	Ramp Area (m^2)	Average thickness (m)	Volume (m^3)	Average grade (g/t)
ZJS-Ⅱ-①	55	536	1.14	611	4.88
	52	3,561	1.17	4,166	4.68
	40	1,612	2.88	4,643	3.13
	47	223	1.22	272	2.70
	50	713	0.97	692	2.60
	52	192	1.33	255	3.39
	55	142	1.28	182	2.88
	48	339	1.25	424	3.76
	40	1,139	2.13	2,426	2.92
ZJS-Ⅱ-②	62	558	0.92	513	6.38
ZJS-Ⅱ-③	52	519	3.50	1,817	3.33
ZJS-Ⅱ-④	68	401	2.35	942	2.63
ZJS-Ⅱ-⑤	55	73	6.35	464	2.80
ZJS-Ⅱ-⑥	48	595	1.33	791	3.20
ZJS-Ⅱ-⑦	54	1,002	1.76	1,764	3.26
ZJS-Ⅱ-⑨	56	19,541	3.50		15.00
ZJS-Ⅱ-⑩	56	7,871	3.50		15.00
JF-blind-①	65	250	1.50	375	9.27
JF-Ⅱ-①	58	442	1.18	522	2.50
JZW-Ⅱ-①	52	660	1.70	1,122	5.16
	65	583	1.59	927	10.74

Table 4-4: Orebody features in Xianglu section (Hunan Westralian)

Ore Body No.	Average dip Angle (°)	Ramp Area (m^2)	Average thickness (m)	Volume (m^3)	Average grade (g/t)
XL-Ⅱ-①	73	524	2.08	1,090	3.58
	60	1,304	1.08	1,408	7.60
	42	363	1.80	653	4.06
XL-Ⅱ-②	63	274	0.90	247	2.80
XL-Ⅱ-③	66	10,674	2.54	27,112	9.84
	66	2,540	2.43	6,172	145.28
	63	1,410	0.94	1,325	4.88
	66	6,066	2.88	17,470	11.34
	66	2,633	2.43	6,398	145.28
XL-Ⅱ-④	66	2,073	5.37	11,132	8.80
	66	3,393	5.37	18,220	8.80
XL-Ⅱ-⑤	62	5,063	6.45	32,656	5.43
	62	7,417	6.45	47,840	5.43
XL-Ⅱ-⑦	53	1,252	1.00		4.79
XL-Ⅱ-⑨	53	1,252	4.35		24.09
XL-Ⅱ-⑩	56	1,252	2.95		6.25
XL-blind-①	52	952	2.50		250.00

4.4 Mineralogy

4.4.1 Ore minerals

Gold are hosted in veins in two types which are native gold and pyrite type gold. Some native gold is visible by naked eyes, lustrous and in reddish yellow colour. It is in abnormal shape with granular size of 0.1 to 1mm. It distributes around the fine pyrite in quartz vein as indicated in Figure 4-5.

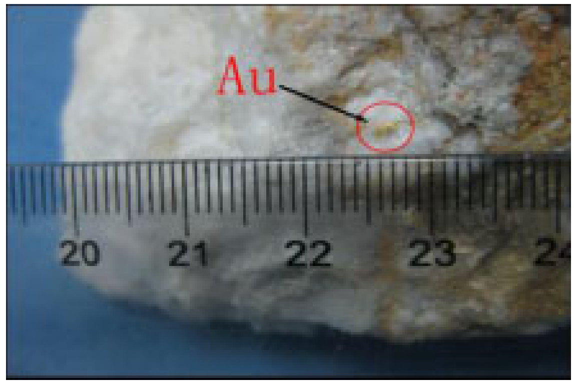

Figure 4-5: Native Gold in Ore

Another type of native gold is invisible enwrapped by pyrite and other mineral.

Pyrite type gold: pyrite is the main gold hosting mineral. It is idiomorphic and hypidiomorphic assembling in the quartz vein and slate. In quartz veins pyrite occurs in vein shape in the fissures; in the slate pyrite distributes randomly.

4.4.2 Gangue Materials

Gangue minerals are quartz, sericite, chlorite, calcite, feldspar and so on. Quartz is one of the carriers of gold. It occurs in vein in the fissure of sericite schist in granular of millimetres to dozens of millimetres. Native gold may be discovered at the assembly of pyrite. Sericite is the host of sericite schist. It is in squama shape and lustrous. Gold may be discovered in sericite schist in the quartz vein fissure or adjacent to quartz vein.

Table 4-5 summarizes the mineralogy of the ore from the project.

Table 4-5: Main Mineral Contents

Mineral	Content（%）
Pyrite	0.8
Arsenopyrite	0.2
calcspar	5.0
Chlorite	5.0
Sericite	15.0
Quartz	63.5
Feldspar	10.0
Others	0.5

4.4.3 Wall Rock Alterations

Mineralization in the area is controlled by fracture alteration where the alterations are: pyritization, silicification, sericitization, chloritization, kaolination and carbonization. The pyritization and silicification has close relations with gold mineralization.

1. Pyritization distributes mainly in the orebody and a little in the wall rock. It has closest relation with gold mineralization and it is the most direct symbol of the gold orebody. Normally gold is developed at places where there are intensive pyritization and especially power pyrite. Pyrite is mainly in disseminated, massive and vein shape and has close relation with silicification.

2. Silicification distributes mainly in the fracture belt and sericitized slate. Silicification is more intensive where the orebody develops. It has very close relation with gold mineralization and pyritization. Pyrite content increases and there is good gold mineralization where the silicification is intensive. In the fracture zone, wall rock breccia cemented siliceous material to form silicified tectonic breccia of vague shape and with density increased significantly. In the rock fissures and fault, massive or vein quartz, pyrite and native gold were formed.

3. Sericitation is commonly developed. Rocks at both sides of fault are muddy recrystallized impacted by hydrothermal metasomatism. The alteration intensity and thickness are positively correlated with the thickness and intensity of mineralization. Alteration is in grey-white colour adjacent to the orebody and the colours change into flesh red as it goes far away. The alteration thickness is from 0.5 to 20m. It distributes mostly in the exterior sides of the orebody. It is an important symbol for exploration.

4. Chloritization and carbonatization occur in associated with each other. They distribute along the exteriors of the pyritization and silicification. It has negative correlation with gold mineralization. As carbonitization happened in post mineralization time, this alteration normally shows the weakening or disappearing of mineralization.

Ore Textures and Structures

Ore textures
Ore is idiomorphic and hypidiomorphic. Pyrite is in the shape of cube or pentagon and idiomorphic and hypidiomorphic occurs in the fissure of quartz vein. Xenomorphic minerals are fine pyrite and gold. Quartz granular is in abnormal shape. Skeletal crystal is formed by post metal mineral metasomatism. Fragmentation texture was formed from the early stress to pyrite and quartz. Stock-work texture is formed by the filling of pyrite granular into the quartz fissures. Sericite and chlorite in the slate alteration are in flaky blastic texture.

Ore structure
Banded structure
Pyrite crystal is in banded structure in the fissures of quartz vein;

Disseminating structure
Pyrite and native gold disseminate in the fissures of quartz veins;

Stock-work structure
Pyrite and natural distribute in stock-work structure in the fissures of quartz veins and quartz.

Massive structure

Pyrite and quartz sometimes form massive assemblies.

4.4.4 Ore Types

Ore is naturally divided as primary and oxidized. The primary ore can be divided into quartz type native gold, quartz sulphide type natural gold and quartz sericite sulphide natural gold. Industrially the ore can be divided into gold bearing quartz vein, fine quartz vein with schist alteration and fractured quartz with schist alteration. The first types have the best gold bearing quality.

4.4.5 Useful and Harmful Elements

Besides gold the useful element is silver which has average grade of 19g/t.

The harmful element is arsenic which is 0.09% in the samples. This content will have very little impact on processing. Other elements of general ore are indicated in Table 4-6.

Table 4-6: Elements analysis

Elements	Au	Ag	S	As	SiO_2	Al_2O_3	CaO	MgO	T Fe	Remark
Content （%）	4.32	19.2	0.41	0.09	68.98	6.46	1.32	1.44	3.42	unit for Au, Ag is (g/t)

4.5 Quality Assurance and Quality Control and for Exploration Engineering and Sample Test and Analysis

The exploration of Guanzhuang Gold deposit is part of mineral exploration project of land and resources survey – Assessment on Gold-Copper Mine in Tanghuping of Yuanling County, Hunan Province. This project started in year 2000 and the part of Guanzhuang Gold deposit was finished in 2001.

After the mine was taken over by Hunan Westralian Mining Co., Ltd., several geologic mineral explorations were made. SRK only got the data on 21,033.32m of drilling and part of sample assays.

4.5.1 Exploration Workload

Table 4-7 shows the work done by No. 407 Brigade. Through above works, No. 407 Brigade determined the existence and geologic characteristics of Guanzhuang Gold Mine and identified the strata controlling the deposit and structural conditions.

Table 4-7: Inventory of Exploration Works of Guanzhuang Gold Mine

Contents	Unit	2000	2001	Completed
Control point survey	Point		89	
1：50000 water system sediment test	km^2	90	115	205
1：10000 rock survey	km^2	14.7		14.7
1：50000 soil section survey	km^2		6	6
1：10000 geological sketch survey	km^2	68	40	108
1：10000 geological mapping	km^2		40	40
1：2000 section survey	km	4	4	8
Test Sample	Piece	144	128	272
Trenching	m^3	2585.5	2020	4605.5
Tunneling	m	485.4	109	594.4
Drilling	m		475.8	475.8

4.5.2 Quality of Exploration Engineering

Based on geologic characteristics of the deposit, the Brigade determined that the orebodies are horizontally 200-500m long (Orebodies 2-1and II-⑨ are respectively 644m and 540m long), extend for over 200m, are medium-to-large-scaled, with simple morphology (which –are in the shape of layer and plate), and good continuity. The thickness of the ore-bodies is 0.76-3.34m, with the coefficient of variation of 6.7%-89.0% (39.0% for the average), and is stable. Gold grade varies between 3.81g/t and 43.51g/t and has the coefficient of variation of 2.9-231.3% (75.9% for the average), and the gold is evenly distributed. In reference to the standard on the classification of hard-rock gold exploration in the Specifications for Hard-rock Gold Exploration (1984) issued by state mineral reserve committee, it is determined that this deposit belongs to Type-III exploration. Based on the exploration type, it is determined that 332 category drilling grid of 60×60m serves as basic exploratory grid, enlarging basic exploratory grid by 1 time (namely 120×120m) for 333 resource and by 3 times (namely 240×240m) for 334 resource. SRK thought that the deployment of above exploration grid is reasonable and compliant with Chinese quality requirements of mineral survey and assessment.

Trenching: It is used to uncover the mineralized and altered belts and surface boundary of ore beds and to find out the degree of mineralization, occurrence and other geologic characteristics. It combines manpower and blasting, can generally uncover the place 0.3m above the bedrock, has trapezoidal section with 0.6-0.8m-wide base as well as flat and straight bottom, and fully meets the requirements, and construction quality is generally acceptable.

Pitting: It is used to find out the occurrence, thickness and change in grade of ore-bodies in superficial part. Seven pits (220m in total) were constructed. The driving is implemented with semi-mechanized operation, is constructed at the place specified by geological design, has the section of 1.8×1.2m, reaching straight roof and tunnel face, and is accepted and documented after the work is finished.
Drilling:

Drillhole Curvature: It is measured with KXP-1 minor-caliber inclinometer system every 50m and measurement times increase at the orebodies (ore bed). The deviational survey is performed in the order of top-down and station spacing is 10-20m. After deviational survey of bottom hole is finished, 25% of measuring points should be checked during lifting the inclinometer and there are at least 2-3 repeated measuring points at the joint of drillhole intervals. Actual measurement shows that azimuth error is less than 3º every 100m and the error of apex angle doesn't exceed 1º. According to the requirement that the standoff distance should be less than 15% of exploratory line spacing, the standoff distance of each final drillhole is within allowable deviation range and consequently complies with the requirements.

The apex angle of straight drillhole is measured with hydrofluoric acid every 50m and measurement times increase at the orebodies (ore bed). The actual measurement shows that each drillhole complies with the quality requirements.

Measuring Drillhole Depth Error: During the drilling, it is measured every 50m. Drillhole depth error should follow the related regulation, and all the drillholes have the calibration error of less than 1‰ and consequently comply with the quality requirements.

Drillhole-sealing and Setup of Peg at Drillhole Collar: According to geological design, 5m of drillhole in weathering layer, shattered fault zone, ore bed and the roof and floor of ore bed is sealed with cement and the rest is sealed with mud ball. The mud ball and cement are separated by 1m-deep wood stopper and a peg is shed at drillhole collar and is fixed with cement. Drillhole sealing and the setup of shed comply with the requirements.

Core Recovery
Full drillhole has rock core recovery rate of 84-95% (88.5% for the average) and mineral core recovery rate of 84-89% (86.3% for the average). They comply with Chinese specifications and are of high quality.

During the investigation, SRK examined the status of core preservation (Figure 4-6).

Figure 4-6：Core Storage

4.5.3 Sampling, Sample Preparation, Assaying and Quality

Sampling

Channelling sampling method was used to take samples from trenches, pit and tunnels. The size of channel is 10cm wide × 5cm deep, and the samples are typically 1.0m long depending on mineralization characteristics, and/ore type.

Core samples were taken by splitting the core into halves, with one half as samples, and the other half saved in core boxes. The sample lengths range from 0.5m to 1.5m.

Sample Processing and the Quality
The manager of test centre accepts, checks, numbers and sends test samples to the workshop for processing and specifies the processing requirement. The leader of sample processing group is responsible for accepting and checking the sample and arranging the processing. The processors dry and process the samples according to the Rule of Sample Crushing, perform coarse, intermediate and fine crushing with the formula of $Q=KD^2$ according to the designated K, and then sieve, mix and condense it. In the entire sample-crushing process, sample loss rate is less than 5% and the error of condensing process is less than 3%, which can guarantee that the samples have the representativeness. Copper sample should be screened with 180-mesh sieve, while gold sample should be screened with 200-mesh sieve. The process flow is reasonable and the quality meets the requirements.

Assay and Internal-external Inspection and the Quality
Basic analysis of samples is conducted by Huaihua Integrated Mineral Test Institute of Hunan Province. Main analysis is Au and the analysis is to identify gold content and its variation in the ore, find out ore quality, delineate the orebodies and estimate gold reserves. Basic analysis is implemented with atomic absorption spectrophotometry and the detection limit of Au is 0.001g/t. Sample analysis strictly follows the related technical specifications and internal inspection is conducted timely. The qualification rate of internal-external inspections is over 90% and complies with the related state regulation.

Internal-external Inspection Labs and the Qualification
Basic analysis is conducted by Huaihua Integrated Mineral Test Institute of Hunan Province, which has the state-certificated A-level qualification. External inspection is conducted by Hunan Testing Centre, which has the state-certificated A-level qualification.

Samples for Inspection of SRK
During the investigation to the mine sites, for a limited checking, SRK collected 4 samples from different intermediate sections of 3 ore blocks (Figure 4-7). The samples were sent to Langfang Geologic Survey Institute of Hebei Geology and Mineral Resources Bureau for assaying analysis with wet method and the test result is listed in Table 4-8.

Table 4-8: SRK sample results

Sample No.	Au (g/t)	Ag (g/t)	As (%)	Sb (%)	Sampling Locations
H-XJ5-1	0.55	1.52	0.004	0	Dengjiashan No. 2 roadway
H-XJ5-2	2.47	1.52	0.086	0.001	
H-3XJD-1	11.44	1.52	0.005	0.002	Xianglu section (-40m elevation)
H-SH-1	4.78	1.52	0.029	0	Shenjiaya inclined shaft

Figure 4-7: SRK is Taking Samples

The assaying results from SRK checking samples indicate that the mineralization of the project contains a considerable grade of gold and low contents of arsenic (As).

4.6 Resources/Reserves Estimation

Due to limited time and workload, SRK only briefly verified the resource estimate with checking the results from No. 407 Brigade, and believed that the estimation method, industrial indexes, the determination of some parameter and the connection of orebodies comply with related Chinese national specifications.

4.6.1 Industrial indexes

No. 407 Brigade refers to the Reference Manual for Mineral and Resources Industry Request compiled by state mineral reserves committee in combination with gold price in international and domestic market and determines industrial indexes for Guanzhuang gold deposit. Later, Hunan Westralian Mining Co., Ltd. continued to uses these industrial indexes during subsequent exploration.

- Cut-off Grade: 1g/t
- Minimum Industrial Grade: 3g/t
- Minimum Minable Thickness: 0.8 m
- Gangue-eliminating Thickness: 2.0m

When the orebody is less than 0.8m thick, m×g/t is used to assess and estimate the resources.

4.6.2 Determination of Parameter for Resource Estimation

Determination of the Thickness of Orebody

Determination of the Thickness of Single-project Orebody: For the orebody which is delineated according to the requirements of cut-off grade and the result of sample assay, the sum of the thickness of all samples is the thickness of single-project orebody and the gangue is estimated when its thickness doesn't exceed gangue-eliminating thickness. The thickness of orebody with the grade of ≥3g/t and 1 to ＜3g/t is estimated separately.

Determination of Average Thickness of Orebody or Fragmented Orebody: Average thickness of orebody or fragmented orebody is arithmetic mean of the thickness (m) of all single-project orebody participating in the resources of orebody or fragmented orebody.

Average Grade of Orebody

Calculation of Average Grade of Single-project Orebody: Average grade of single-project orebody is the weighted mean of the thickness of all samples within the range of orebody and the gangue is estimated when its thickness doesn't exceed gangue-eliminating thickness.

4.6.3 Estimation Method of Resource

The dipping angle of each orebody in Guanzhuang Gold Mine is more than 50°, so No. 407 Brigade used vertical longitudinal project method to plot the map and estimate the resource on vertical longitudinal projection map with the method of geological block (see Figure 4-8). During the estimation, all data are estimated by the Brigade with fx-3600p calculator and two decimal places will be reserved. In addition, the Brigade selected Orebody 2-1 which has high degree of engineering control and lies in Shenjiaya Ore Block and uses parallel section method to estimate resource so as to verify the rationality of estimating resource using the method of geological block.

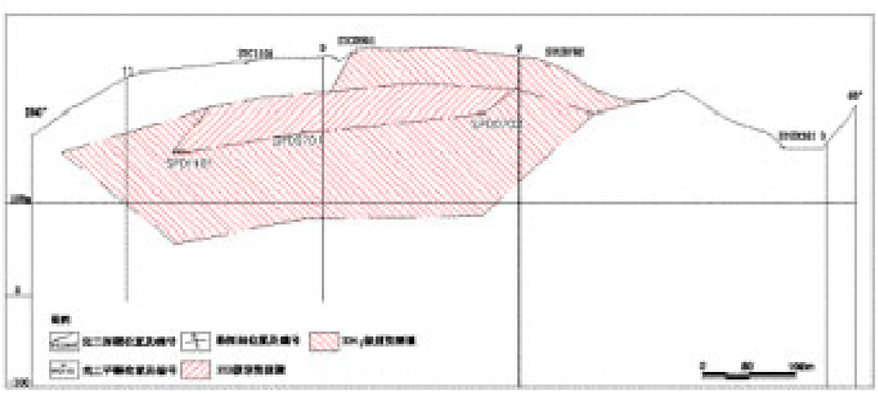

Figure 4-8: Projection of orebody 2-1 in Shenjiaya section

SRK has not obtained the detailed information about the resource estimation method used by Hunan Westralian, but assumes that the same method as Brigade's was used.

4.6.4 Principle of Delineating the Orebody

Determination of the Boundary of Orebody
According to the result of sample analysis, the samples with the grade of greater than the cut-off grade (1g/t) and thickness of not less than 0.8m can be deemed as orebody. The orebodies with average grade of not less than ≥3g/t and 1- to ＜3g/t are delineated separately. For samples with the thickness of not more than 0.8m and high grade, m·g/t is used to assess the orebody.

Delineation of the Boundary of Orebody on Vertical (Horizontal) Longitudinal Projection Map
The coordinate of the orebody is projected to the vertical longitudinal projection map and the orientation of longitudinal project plane depends on the orebody and is generally consistent with the strike of orebody.

On the basis of the boundary of orebody delineated on profile map and plane, the principle of delineating the boundary for resource estimation on vertical longitudinal projection map is as follows:

① Finite Extrapolation: When one of 2 adjacent projects with engineering spacing of less than 240m finds the ore and the other doesn't, it is extrapolated by 1/2 of the spacing between the 2 engineerings to get the boundary for 334 resource estimation. When one of 2 adjacent engineerings finds the ore with the grade of ≥3g/t and the other finds the ore with the grade of 1 to <3×g/t, it is extrapolated by 1/2 of engineering spacing to get the boundary for 334 resource estimation.

② Infinite Extrapolation: (1) For orebody controlled by single project, ore-finding point is extrapolated by 120m along the strike of ore vein and 120m along the dip to get the boundary for 334 resource. (2) For orebody controlled by at least 2 engineerings, when the project at the boundary finds the ore, ore-finding point is extrapolated by 120m along the strike of ore vein and 120m along the dip to get the boundary for 334 resource.

③ Connect above finitely or infinitely extrapolated boundary points to get the boundary for 334 resource estimation. Divide the block with ore grade of ≥3g/t and 1 to ＜3g/t as well as ore blocks for 333- and 334-grade resource estimation within the delineated orebody.

④ The orebody which participates in resource estimation in the form of m·g/t won't be extrapolated.

⑤ If the fault obviously controls or displace ore vein or orebody, the fault can serve as important boundary of orebody.

⑥ Average Obliquity of Orebody
Average obliquity of orebody is arithmetic mean of the obliquity of orebody measured with all ore-prospecting engineerings.

⑦ Measurement of Inclined Area of Orebody
AutoCAD software is used to measure longitudinal projection area of orebody on vertical longitudinal projection map, and the projection area is divided by the cosine of the included angle (β) between projection plane and average strike of orebody and by the sine of average obliquity of orebody to get the inclined area (S) of orebody.

⑧ Volume of Ore Block and Resource Estimation

Volume (V)

The inclined area (S) of ore block is multiplied by the average thickness (M) of ore block to get the volume of ore block.

Mineral resource (Q) in Ore Block

The volume (V) of ore block is multiplied by average specific gravity (D) of ore to get ore reserves of ore block.

Gold contained in Ore Block

Gold metal contained resource in ore block are multiplied by average ore grade (C) and are then divided by 1000 to get resource (metal reserve) in kilograms.

4.6.5 Categories of Resources

Engineering spacing of surface trench and shallow pits is generally 200-400m and deep part of the mine site is controlled by a few of drillholes or pits. Some orebodies are only controlled by single project. The degree of engineering control generally meets the requirements of general investigation and survey. Therefore, the categories of resource are predicted resource (334) and inferred intrinsic economic resource (333).

Chinese resource classification is different from JORC classification. In general, Chinese 333 resource may refer to JORC Inferred resource. There is no JORC equivalent resource category of 334, which is a prediction. Appendix 1 presents a general comparison between Chinese and JORC systems. SRK should emphasize that Chinese resource, in general, does not comply with JORC.

4.6.6 Results of Resource Estimation

Resource Estimated by No. 407 Geological Brigade of Hunan Province has been given in Table 4-9.

Table 4-9: Resource Estimation by No. 407 Brigade (2003)

Section	Ore body No.	Category	Ore body			Average Au grade (g/t)	Tonnage (t)	Metal contained (kg)
			Length (m)	Thick-ness (m)	Extension depth (m)			
Shenjiaya	I -①	334	350	1.33	117	43.51	156,076	6,791
	I -②	334	375	0.85	144	10.36	54,105	561
	II-①	333	330	2.98	420	26.09	115,940	3,025
		334	568	2.98	162	26.09	422,450	11,022
	II-②	334	254	1.89	144	4.36	222,308	969
	II-③	334	216	1.19	142	3.9	67,439	263
Dengjiashan	II-④	334	305	2.53	250	22.58	321,974	7,270
	II-⑤	334	480	0.97	200	3.84	151,072	580
	II-⑥	334	186	0.96	144	8.37	38,804	325
Xianglu	II-⑦	334	242	1.05	124	3.81	51,610	197
	II-⑧	334	108	0.76	66	9.86	9,774	96
	II-⑨	334	322	3.34	280	4.99	428,617	2,139
	V-①	334	180	0.95	130	5.05	28,644	145
Total							**2,068,813**	**33,383**

In 2007, based on the new exploration data, the Brigade and Allen J. Maynard, an Australian professional geologist updated the resource. SRK notes that the difference between the resource estimated by using geological software and a traditional method is about 15%, by considering that fact of that the resource is in Inferred category, SRK believes that the difference is reasonable. Allen's resource estimate (2007) (Table 4-10) can be deemed as the JORC resource basis before the mining. SRK believes that deduction of the 2 t gold resource mined prior to 2007 may not be reasonable.

Table 4-10: Overall mineral resource of the project before mining (A. J. Maynard, 2007)

Description	Average Width (m)	Million Tonnes	Average Grade (g/T)	Contained Gold (tonne)
Total In-situ Resource	2.5	5.5	10.73	59

* The resource category in above table is JORC Inferred.

After the mine was taken over by Hunan Westralian Mining, the company conducted a large amount of ore-prospecting engineering to update the resource. Provided by the company, Table 4-11 lists the resources defined for the mining in the next 15 months.

Table 4-11: Resource Upgraded by Hunan Westralian

Section	Vein No.	Resources (332)		
		Tonnage (t)	Grade (g/t)	Metal contained (kg)
Shenjiaya	Xiaochongzi	18,000	6.3	113.4
	Shenjiaya-1	10,800	9.8	105.8
	Shenjiaya-2	13,000	14.5	188.5
	Shenjiaya-3	4,000	7.0	28.0
	Baomuyuan-1	6,500	4.7	30.5
	Desheng-1	5,400	27.0	145.8
	Desheng-2	18,250	12.0	219.0
	Desheng-3	9,125	3.1	28.3
Dengjiashan	Dengjiashan-1	52,500	6.6	346.5
Xianglu	Xianglu-1	12,000	8.0	96.0
	Xianglu-2	9,000	11.0	99.0
	Xianglu-3	59,000	26.0	1,534.0
Total		**217,575**		**2,934.9**

Hunan Westralian has informed SRK that the above resource was discovered in additional to the 2007 JORC resource, and Mr. Allen Maynard has also recognized the resource as additional JORC Indicated resource.

Based on site inspections and the data provided by the mine, SRK has preliminarily assessed the resources having been mined. Figures 4-8 and 4-9 illustrate the top portion mined of some ore bodies. Table 4-12 summarized the JORC resources remained in the deposit.

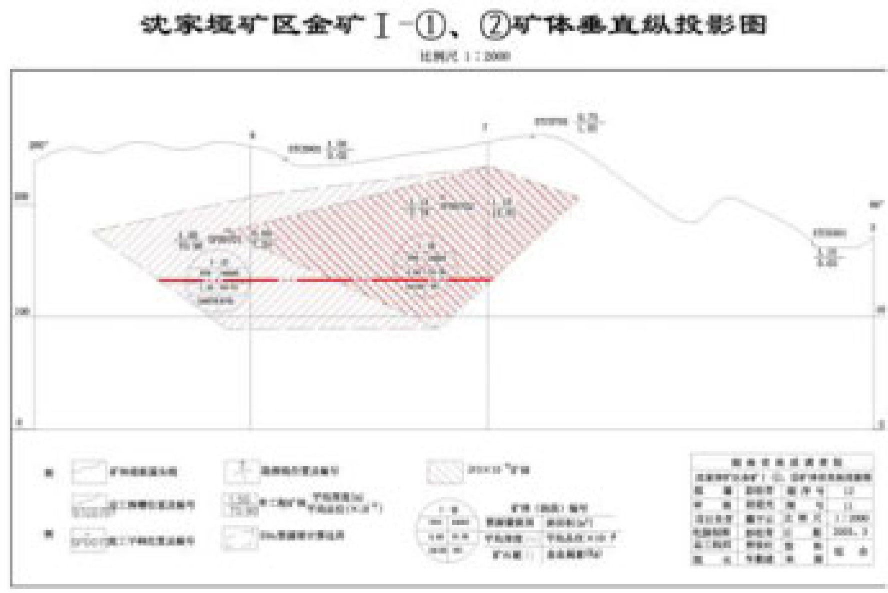

Figure 4-9: Remained resource of orebodies I-1 and 2 in Shenjiaya section

Note: Resource above the red line in the figure was mined out

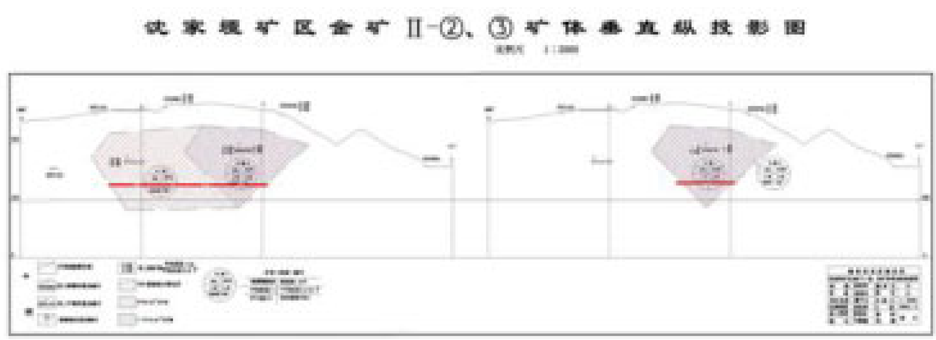

Figure 4-10: Remained Resource of orebodies II-2 and II-3 in Shenjiaya section

Note: Resource above the red line in the figure was mined out

Table 4-12: Remained JORC Mineral Resource in the project

Description	Million Tonnes	Average Grade (g/T)	Contained Gold (tonne)
Indicated	0.217	13.36	2.9
Total Inferred Resource	5.5	10.73	59
Inferred (mined)	-2.95	10.73	-27.5
Inferred Remained	2.55	10.73	31.5
Total Resource	2.767	12.43	34.4

SRK was advised that the exploration work done by Hunan Westralian was under the supervision of No. 407 Brigade and an Australian professional geologist, and both the Brigade and the professional geologist are in the progress of preparation of geological reports with an update of mineral resource statements. Prior to the completion of the updates by them, Table 4-12 can be deemed as a rough resource estimate complying with JORC for the overall remained resource.

4.7 Exploration Potential

The fact of that Xiangxi Gold Mine operates for a long time and the drilling data from Hunan Westralian indicate that Guanzhuang gold exploration area has great exploration potential. At present, the mining activities are performed at the place 200m below the surface and the deep part is unknown. According to ore-prospecting data from Hunan Westralian, SRK conducted a statistics analysis and the result shows that the mineralization in deep part is better than superficial part (Table 4-13). The statistics have two features:

Table 4-13: Drilling mineralization interception inventory

Borehole No.	Coordinates		Standard elevation for drilling (m)	Drilling depth （m）	Occurance depth （m）	Standard elevation for occurance （m）	Highest grade （g/t）
	X	Y					
ZK03	3160298.29	501333.048	223.958	386.14	279-306	27	68.75
ZK00601	3160265.76	501451.526	305.482	385.7	284-286	19-21	15.45
ZK01001	3160286.86	501555.031	358.299	464.13	159-368	199-(-10)	46.9
ZK04501	3159706.6	499970.469	240.033	412.6	279-280	39-40	9.64
ZK01301	3159854.49	500933.795	346.844	410.85	182-183	184-185	19.5
ZK12301	3158979.18	497752.343	232.045	321.4			
ZK04901	3159616.95	499828.71	250.063	356.01			
SJDD0001	3160208	501265	203	150			
SJDD0002	3160298.53	501333.963	223.765	325			
SJDD0003	3160299.19	501333.839	223.785	420	210-211	13-14	10.5
SJDD0004	3160299.84	501333.693	223.88	420	306-307	1	7.97
SJDD0005	3160267.96	501450.847	305.409	380			
SJDD0007	3160341.51	501253.33	206.311	400			
SJDD0009	3160037.11	500703.71	227.054	440	305-310	5	19.25
SJDD0012	3160289.26	501554.913	357.881	339.56	115-116	240-241	7.33
SJDD0015	3160042.84	500722.115	222.463	300			
SJDD0016	3160055	500860	239	340	227-228	11-12	7.57
SJDD0022	3160340.12	501519.379	353.581	570			
SJDD0037	3160304.13	501178.961	265.745	484	430-433	3	7.09
SJDD0042	3160341.56	501253.157	206.807	623			
SJDD0045	3160256.21	501677.694	403.839	350			
SJDD0048	3160324.27	501447.408	313.824	520	422-486	64	53.2
Total				8798.39			

The grade of the orebody with the elevation of less than 0m ASL is obviously higher than that with the elevation of over 0m: Among the 6 samples with the grade higher than 15g/t in Table 4-12, 4 samples are from the place with the elevation of less than 0m. One sample from Drillhole ZK03 has the highest grade of 68.75g/t and is from the place with the elevation of -65m, while another sample has the grade of 53.20g/t and is from the place with the elevation of -169m in Drillhole SJDD0048.

The span of mineralized belt in deep part is larger than that in superficial part: The ore in Drillhole ZK03 exists between the elevation of -55m and -82m and the span is 27m, while the ore in Drillhole SJDD0048 exists between the elevation of -108m and -172m and the span is 64m.

Therefore, the exploration potential of this mine site appears to lie in the deep part.

4.8 Suggestion on Further Exploration

At present, SRK has basically understood the mineralization of Shattered and Altered Belts I and II in the superficial part, while no detailed data on the deep part (200-300m below the surface) is available. In reference with the mineralization of adjacent area (mining depth of Xiangxi Gold Mine is now up to several thousand meters) and in combination with comprehensive analysis on the characteristics of geological structures in the region, SRK believed -that the exploration work in the mine site should extend towards deep part, but firstly the geology and structural conditions should be analysed to identify the thickness and distribution range of Segment 4# of Madiyi Formation where the ore is developed.

The deep parts of several shattered and altered belts within the mine site are unknown. If possible, Fractured and Altered Belts VI~VIII in the exploration area should be researched in depth and the drilling should be carried out at optimal location.

5 Mining Assessment

5.1 Mines

Hunan Westralian has eight mining operations which are divided into the east section and west section. The east section is consisted of four operations which are respectively Zhengjiashan, Xianglu, Jinzhuwan and Jiufa; the west section has four operations which are Shenjiaya, Baomuyuan, Xiaochongzi and Desheng. Presently the upgrading is conducted in both west section and east section; where for the west section, the 4 mines have been connected while for the east section, the 4 mine have not been connected yet. As ventilation systems have not been formed in Jinzhuwan and Jiufa operations, no mining is conducted there. As Xianglu has extremely high grade ore, it is not mined for the security reason.

In all the operations underground accesses are made available by adits and blind declines and materials are hoisted by winches. In all the adits and declines 12kg/m steel rails are used. Bridges are used to connect the decline with each mining level roadways. An emergency compartment is placed every 20m in the declines. In Shenjiaya operation 6 people passenger cars are used to transport personnel in and out of the mine, while in other operations personnel need to walk in and out of the mine. The majority of the tunnels are not supported while some are supported locally by limber and bolt.

5.1.1 Underground Water

The mine has simple hydro-geological conditions with little water seepage in the tunnel and workface where the seepage is drained through raises to the water sumps.

5.1.2 Underground Support

The current tunnels have small section and the main roadways are developed in the stable rock in the footwall of the orebody. The majority of the tunnels do not require support excepting for some fracture zones which require some bolt or limber support.

The roof of the orebody is stable while a sub-orebody occurs in the footwall. When mining confronts non-stability, roof needs to be supported by bolts to control the mining of the sub-orebody in the footwall and to prevent the mixing of waste rock.

To utilize the compressive strength of the wall rock, drilling and blasting needs to be controlled to form smooth tunnel surfaces and prevent damages to wall rock during operation

5.2 Mine Development

The mine is developed by 100m high mining level where at every 25m interval a sublevel is placed. Exploration is conducted together with mine development. Each level has 2m by 1.8m sectioned transportation roadway inside or outside of the orebody, which is equipped by 600mm mono-rail and 0.6m^3 manpowered side dumping ore car. Presently no electric locomotive has been adopted yet.

Declines are developed in zigzag shape with various lengths from 150 to 400m and dip of 30 degree angle. Each time two linked cars are hoisted as indicated in Figure 5-1. To hoist 0.6x1.2m winch is used and the winch has a minimum power of 21kW and maximum power of 75kW as indicated in Figure 5-2.

Mine hoist systems are indicated in Figures 5-3 to 5-5.

Figure 5-1: 0.6m^3 Dumping Car Used in Shenjiaya Operation

Figure 5-2: Winch in Shenjiaya Operation

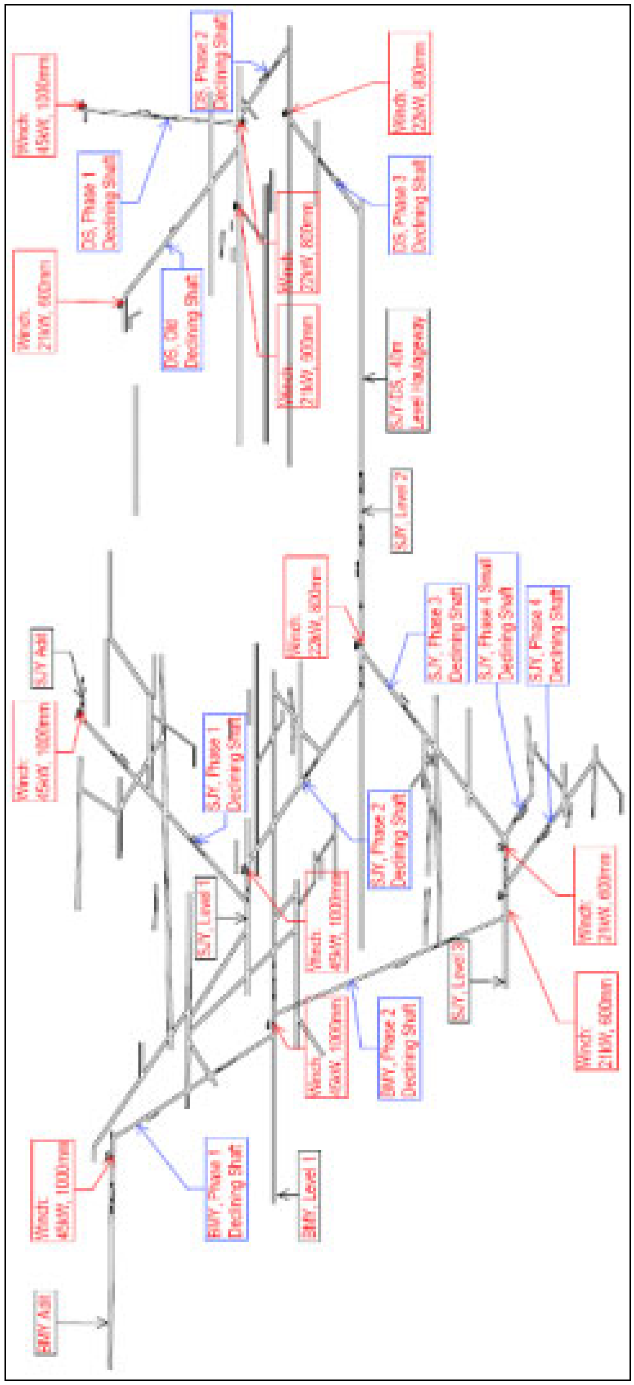

Figure 5-3: Hoist System in the West Section

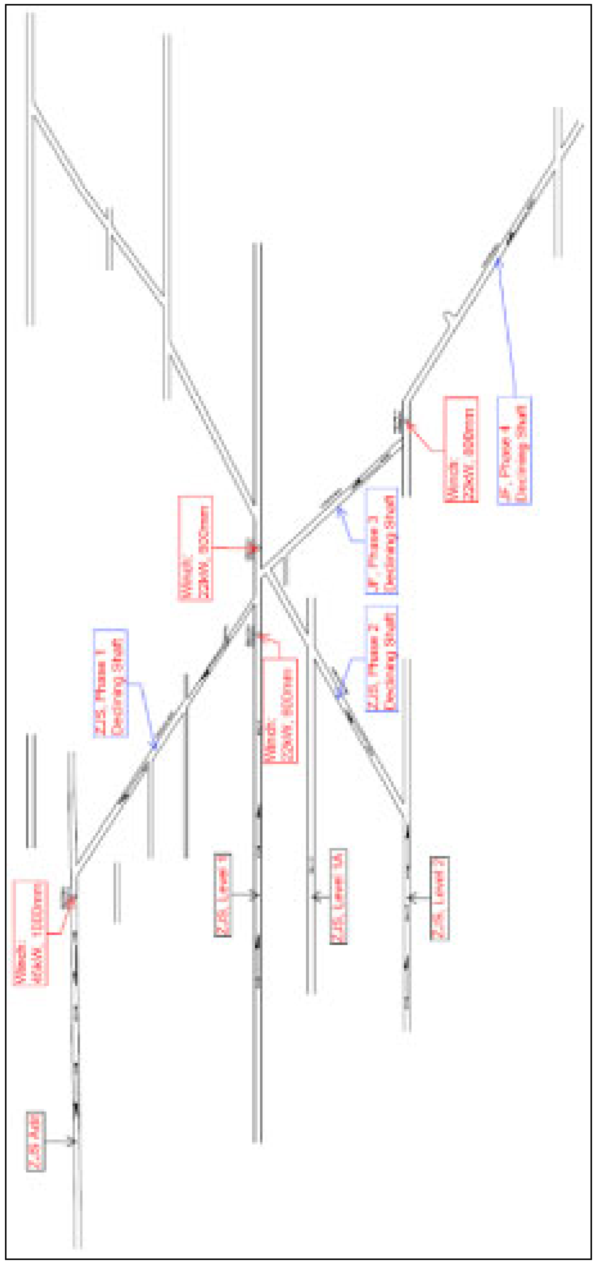

Figure 5-4: Zhengjiashan and Jiufa Hoist System

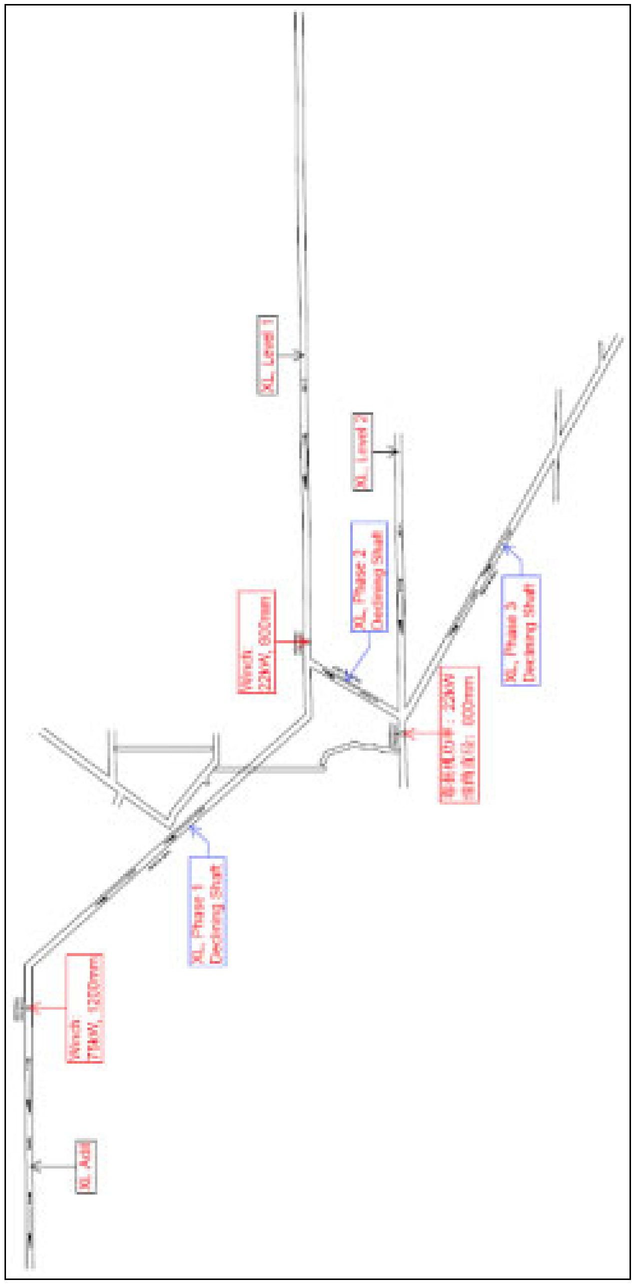

Figure 5-5: Xianglu Hoist System

5.3 Mining Method

The main mining method that Hunan Westralian used is cut and fill method for which the important factors are orebody dip angle, thickness, the stability of wall rocks, allowed subsidence, environmental impact, and the surface geological environmental factors.

The mine tried other mining methods, however they found cut and fill is the best one for the mine.

5.3.1 Cut and Fill Mining Method

Figure 5-6 indicates typical cut and fill mining method.

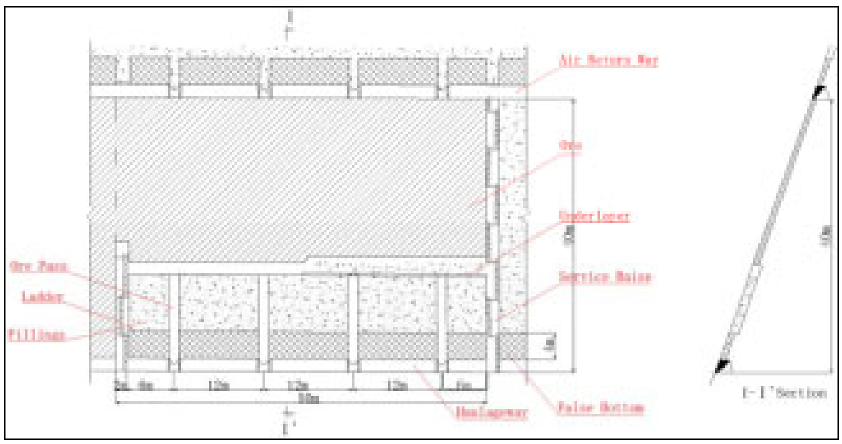

Figure 5-6: Typical Cut and Fill Mining

Cut and fill mining is applicable to orebodies that have high grade and large dipping extension and require selective extraction.

With cut and fill ore and waste can be extracted by sublevels; while ore is taken out from the chute and waste is backfilled to the mined out area for supporting and also platform for the mining in the next step.

5.3.2 Cut and Fill Requirements

Structure
Each block is usually 25m to 40m high and 40m to 60m long without crown and sill pillars. At high grade sections, to extract as much ore as possible concrete can be used for backfilling. Normally each sublevel stope is about 1.8m to 2.0m high; chute spacing is about 15m to 20m and mining space is about 1.5m to 2.0m wide.

Access Development
To access and extract ore, haulage drift, passenger raise, chute and undercut are developed before mining.

Mining

1. Ore is mined from bottom to top in sublevels. Mining sequences are affected by orebody dip and material hardness. In this mine, ore is extracted prior to waste as it is easy to cave in comparison with wall rock. As the orebody is thin, 7655 type drill rig is used to drill less than 2m deep holes. Blasting hole-spacing is about 0.4m to 0.6m.

Holes are drilled in straight lines at thinner than 0.6m orebody and zigzag shapes at thicker than 0.6m orebody. Cord and No.2 rock explosive are used for blasting.

2. Broken ore is hauled by man-powered cart to chute.
3. Stress and grade control: in ahead of backfilling raise and chute are built; chute is laid by large pieces of rock. Caving rock from the footwall by blasting is used for backfilling. The caving thickness is normally 1.0m to 1.5m thick depending on the requirement by filling and the ore extraction. At high ore grade working face, a layer of geo-fabric is placed on top of the fill to control loss and dilution and provide some convenience for ore loading.
4. Ore loading and haulage: ore comes out from the end of chute where the opening is a 0.5 x 0.5m wood hopper. From the hopper ore is loaded to $0.6m^3$ side dumping cars in the haulage roadway from where the carts are pushed by manpower to the bottom of the decline and hoisted out.

Pillars
Normally crown and sill pillars are not left. At high grade ore sections concrete is used to build a man made base.

Mined out area treatment
Voids are backfilled as the proceeding of stopes.

Ventilation
Fresh air goes via the man raise into the stope and is exhausted through the centre or side raises to the air return drift. Fans can be used at long stope to facilitate the ventilation.

Haulage drifts at each level have sections of 2m by 1.8m and are equipped with 600mm mono-rail. The haulage drifts are designed in the stable footwall and do not require support excepting at fractured places.

5.3.3 Parameters of Mining

- Block productivity：25-40t/day
- Man productivity：3.7t/man/shift
- Advancing rate：15-30 m/kt (the tunnel meterage for mining 1000 t ore
- Mining loss：5％
- Mining dilution：15-20％

Figure 5-7: Drilling in stope

5.4 Auxiliary Facilities

5.4.1 Ventilation

The mine is proposed to combine the previous eight operations into west operation and east operation, which will be beneficial for ventilation. Presently it is natural ventilation with some aid from local boost fans at some working faces. Generally ventilations are acceptable.

5.4.2 Drainage

Figures 5-9 to 5-11 illustrate the drainage system in the west section Xianglu and Zhengjiashan-Jiufa. Hunan Westralian mines have little underground water outflow. They are using 150m head of delivery 40kW multiple stages pumps (Figure 5-8) to pump water to the surface. Normally they require 3-4 hours pumping every day.

Figure 5-8: Shenjiaya Pump Station

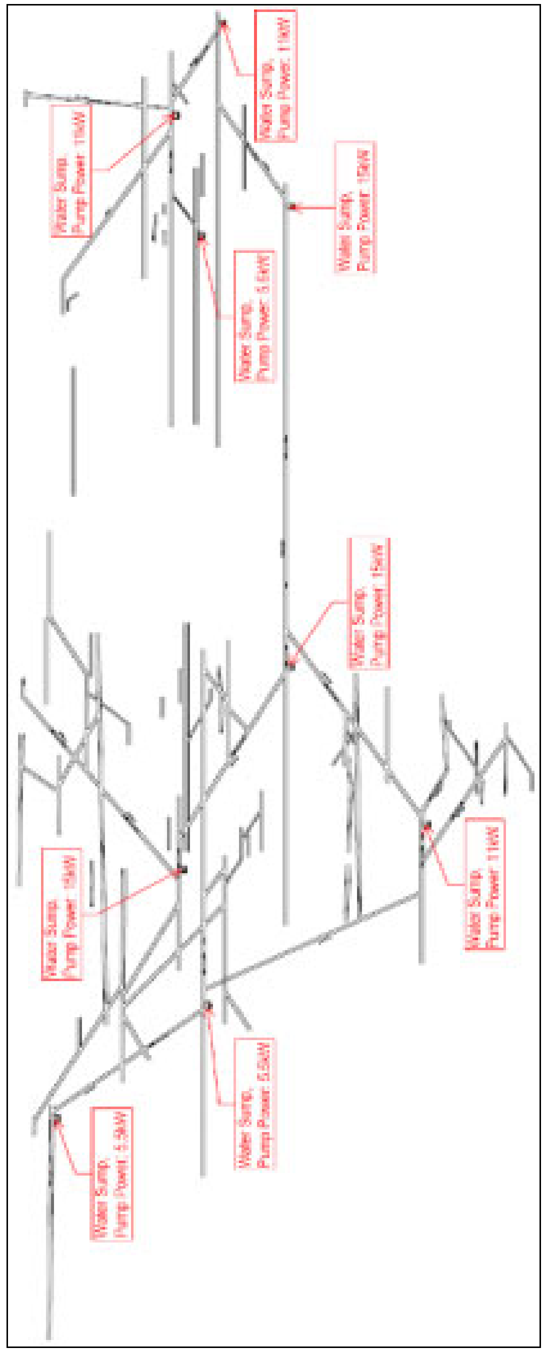

Figure 5-9: West Section Drainage System

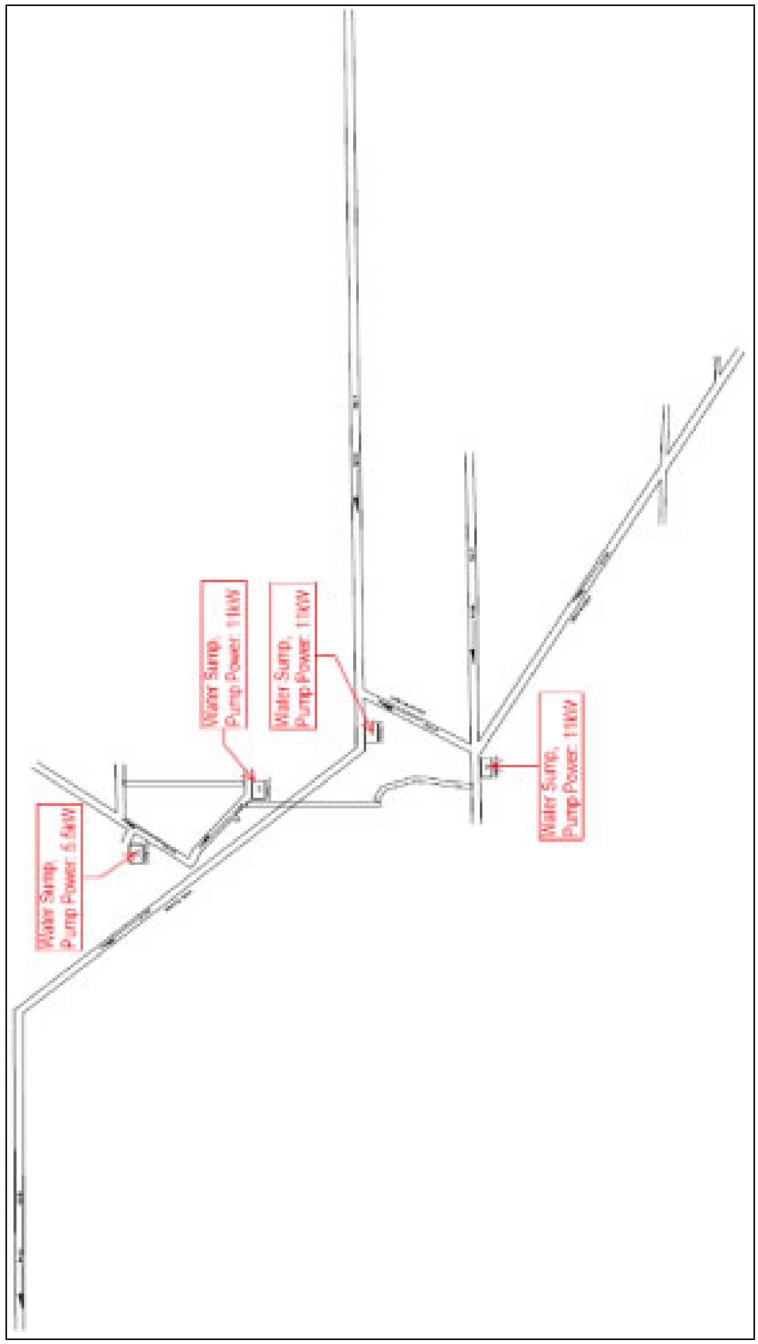

Figure 5-10: Xianglu Drainage System

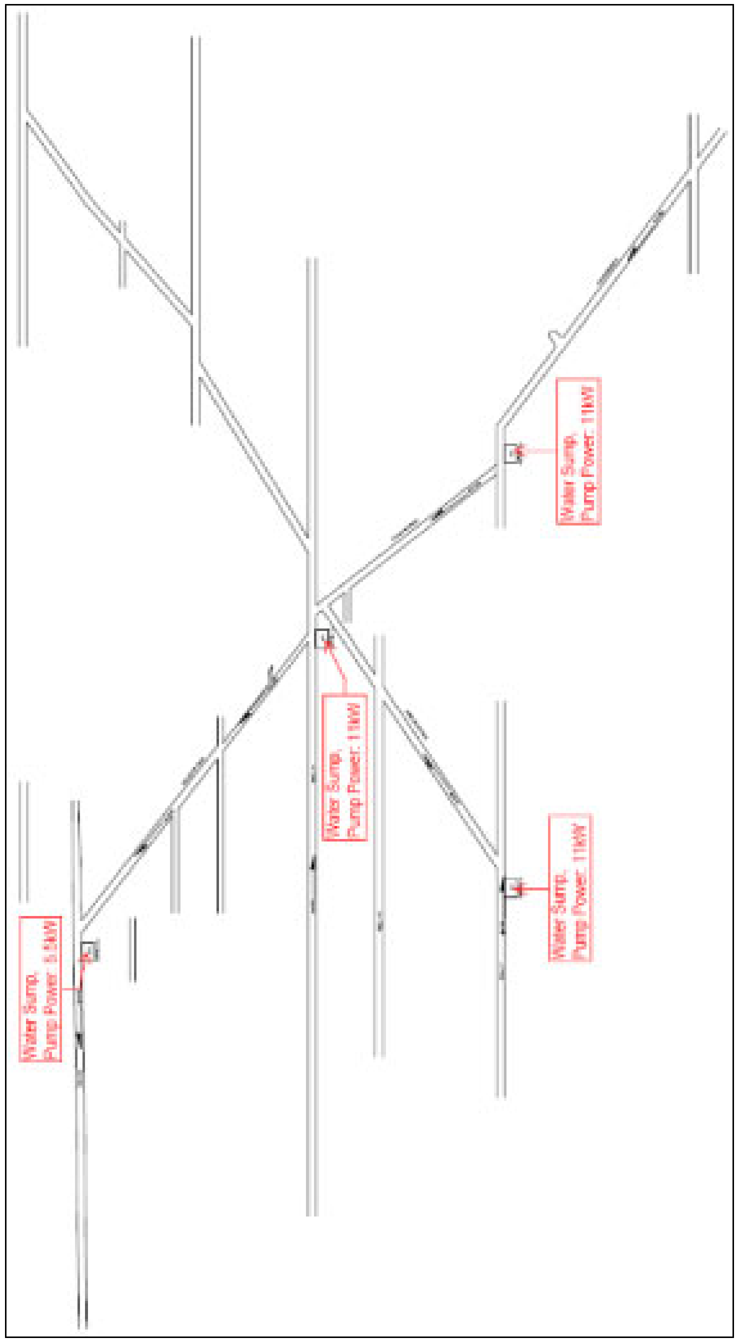

Figure 5-11: Zhengjiashan-Jiufa Drainage System

5.4.3 Explosive Supply

At all operations of Hunan Westralian, government approved magazines and detonator warehouses are built (Figure 5-12). Explosive detonator and cord purchasing are approved by the government. These materials are handled by specially trained personnel. Each purchase can support three days production.

Figure 5-12: Shenjiaya Magazine in the Valley

5.4.4 Compressed Air

The company is using 9.4 m^3/min and 55kW LiuTech and LU 55-10 screw air compressors. These compressors are placed at the portals of each operation. The present compressors can satisfy the present production need; however production expansion will require more compressors.

Shenjiaya operation is using two units LU55-10 screw air compressors and 110mm and 90mm pipes.

5.4.5 Water Supply

Water used for ore processing and domestic living is taken from rivers nearby. Underground operations are using underground recycled water which has been pumped to the head tank on the surface. Water supply is using 110mm and 90mm pipes.

5.4.6 Electricity Supply

Hunan Westralian sourced its electricity from Guanzhuang Substation that is 5km away from the company's office. Electricity is transferred by 10kV power line to all the operations which are 5 to 8 km from the substation. Transformers are installed at the processing plant and mining sites. Electricity supply can satisfy the present production.

Shenjiaya has two 200kVA transformers at the portal and one 100kVA transformer underground. The transformers take the 10kV input electricity to supply power for air compressors, winch, fans, pumps and underground lighting. Figure 5-13 shows the layout of electricity supply.

The voltage for underground lighting is 220V and for working face usage is 36V.

Electricity price is 0.8 RMB/kWh.

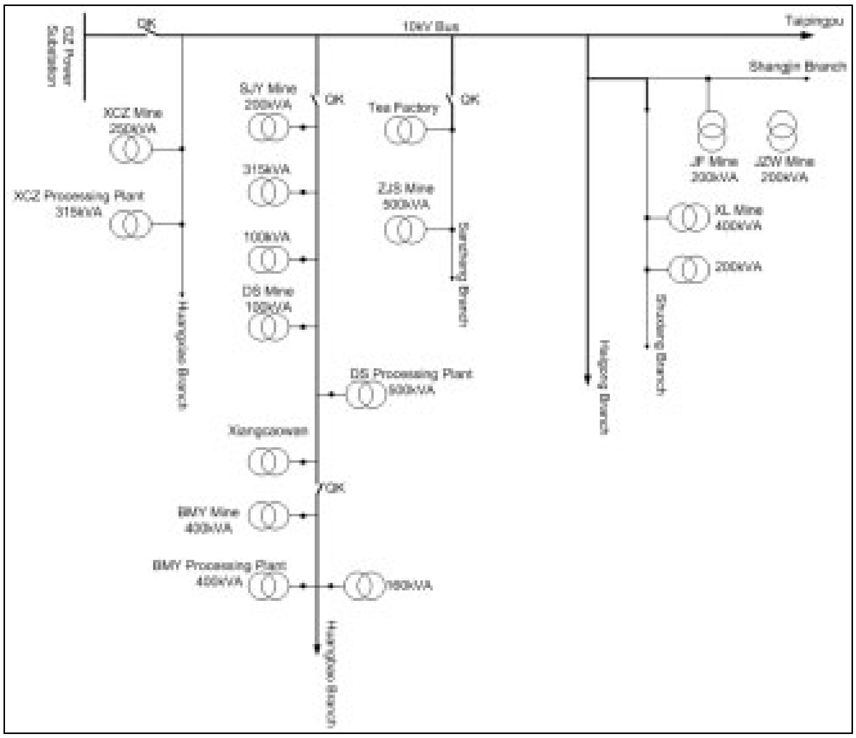

Figure 5-13: Hunan Westralian Electricity Supply Layout

Figure 5-14: Shenjiaya Underground Substation

5.5 Mine Safety

Hunan Westralian developed its safety procedures which covered the following areas for underground mining:

Blasting supporting and roof management

1. It established strict procedures for explosive management; blasting is conducted by trained personnel; non-electric detonator is used and random blasting is prohibited.
2. Support is given to working and development faces and tunnels that have low wall rock stability; the support damaged by blasting requires immediate repair.
3. Before mining, checks are conducted on the loose rocks on the roof and sides of the working faces; it is prohibited to do drilling and loose rock checking at the same time; operation needs to be stopped when roof caving is sighted; personnel need to be evacuated when major roof caving risks are predicted.
4. Support and roof management procedures cover that following key points:
   a. Safety personnel need to be involved in the site management;
   b. Check roofs before operation;
   c. Safety personnel needs to give site supervision and safety warning;
   d. All underground workers need to wear personal protection equipments;
   e. Any risky operation is prohibited.

Underground flood control
The mine normally has very small amount of water outflow. However during rainy season, there might be large amount of water flowing underground through fractured zones. The following methods are taken to prevent underground flooding. Divisional channels are excavated on the surface of the mine to drain water out of the mining area; drainage channels are excavated at the low point on the surface of the mining area to prevent water accumulation and seep underground.

Underground person transportation
Each car is limited to 6 passengers including 1 driver. Passengers on board are required to

wear safety chains and not allowed to put their bodies or tools out of the car.

Figure 5-15: Shenjiaya Passenger Cars in the Decline

Underground communication is good with telephone; decline hoist system has good communication system.

5.6 Mining Cost

The cost to mine ore and hoist it to a respective level is 58 RMB per tonne; the cost of ore including mining and transport to the portal is 116 RMB per tonne. Ore haulage takes a great proportion of the overall cost.

5.6.1 Equipments

The following tables indicate the equipment inventory in individual mines and the company's total installed power is 1811.8kW.

Table 5-1: Equipment inventory in Xiaochongzi Operation

Equipment	Unit	Place						
		Surface	Portal	Level 1	Level 2	Level 3	Level 4	Total
Air compressor	Pc	1						1
	kW	37						37
Winch	Pc	1	1	2				4
	kW	22	22	44				88
Fan	Pc							
	kW							
Pump	Pc				2			2
	kW				11+0.75			11.75
Cutter	Pc	1						1
	kW	2.2						2.2
Grinder	Pc	1						1
	kW	2.2						2.2
Jumbo	Pc	1						1
	kW	1.1						1.1
Subtotal	**kW**	**64.5**	**22**	**44**	**11.75**	**0**	**0**	**142.3**
Welder	Pc	1						1
	kVA	315						315
Lighting Transformer	Pc		1	3x5/2x3	1			7
	kVA		5	21	5			31
Industrial transformer	Pc	1						1
	kVA	250						250

Table 5-2: Equipment Inventory in Baomuyuan Operation

Equipment	Unit	Place						
		Surface	Portal	Level 1	Level 2	Level 3	Level 4	Total
Air compressor	Pc	2						2
	kW	75+37						112
Winch	Pc	1	1	1	1	1	1	6
	kW	22	45	22	11	5.5	7.5	113
Fan	Pc			1				1
	kW			5.5				5.5
Pump	Pc			2	2	3		7
	kW			7.5+11	15	2.25		35.75
Cutter	Pc	1						1
	kW	2.2						2.2
Grinder	Pc	1						1
	kW	0.75						0.75
Jumbo	Pc	1						1
	kW	1.1						1.1
Subtotal	**kW**	**138.05**	**45**	**46**	**26**	**7.75**	**7.5**	**270.3**
Welder	Pc	1						1
	kVA	315						315
Lighting Transformer	Pc			6x5	6x3\1x3			13
	kVA			30	21			51
Industrial transformer	Pc	1						1
	kVA	400						400

Table 5-3: Equipment Inventory in Desheng Operation

Equipment	Unit	Place						
		Surface	Portal	Level 1	Level 2	Level 3	Level 4	Total
Air compressor	Pc	2		1	1		1	5
	kW	92		18.5	18.5		22	151
Winch	Pc		1	2	1		1	5
	kW		45	33	22		11	111
Fan	Pc			2x11+1				3
	kW			27.5				27.5
Pump	Pc			2	1	1		4
	kW			16.5	11	7.5		35
Cutter	Pc	1						1
	kW	2.2						2.2
Grinder	Pc	1						1
	kW	2.2						2.2
Jumbo	Pc	1						1
	kW	1.1						1.1
Subtotal	**kW**	**97.5**	**45**	**95.5**	**51.5**	**7.5**	**33**	**330**
Welder	Pc	1						1
	kVA	315						315
Lighting Transformer	Pc			4x2	3x2		4x2	11
	kVA			8	6		8	22
Industrial transformer	Pc	1					1	2
	kVA	500					100	600

Table 5-4: Equipment Inventory in Shenjiaya Operation

Equipment	Unit	Place						
		Surface	Portal	Level 1	Level 2	Level 3	Level 4	Total
Air compressor	Pc	1				1		2
	kW	110				18.5		128.5
Winch	Pc		1	1	1	2		5
	kW		37	22	22	33		114
Fan	Pc				2	1		3
	kW				18.5	7.5		26
Pump	Pc	2		1	1	2		6
	kW	37		30	30	37.5		134.5
Cutter	Pc	1						1
	kW	2.2						2.2
Grinder	Pc	1						1
	kW	0.75						0.75
Jumbo	Pc	1						1
	kW	1.1						1.1
Subtotal	**kW**	**151.05**	**37**	**52**	**70.5**	**96.5**	**0**	**407.05**
Welder	Pc	1						1
	kVA	16						16
Lighting Transformer	Pc				2x3	3		5
	kVA				6	10		16
Industrial transformer	Pc	2			1			3
	kVA	415			200			615

Table 5-5: Equipment Inventory in Zhengjiashan Operation

Equipment	Unit	Place						
		Surface	Portal	Level 1	Level 2	Level 3	Level 4	Total
Air compressor	Pc	2						2
	kW	110						110
Winch	Pc	1	1		1	1		4
	kW	35	45		22	22		124
Fan	Pc			2	2	2		6
	kW			11	11	11+5.5		38.5
Pump	Pc			1	2	1		4
	kW			11	11+0.75	11		33.75
Cutter	Pc	1						1
	kW	2.2						2.2
Grinder	Pc	1						1
	kW	0.55						0.55
Jumbo	Pc	1						1
	kW	1.1						1.1
Subtotal	**kW**	**148.85**	**45**	**22**	**44.75**	**49.5**	**0**	**310.1**
Welder	Pc	1						1
	kVA	315						315
Lighting Transformer	Pc		1	3				4
	kVA		3	6				9
Industrial transformer	Pc	1						1
	kVA	500						500

Table 5-6: Equipment Inventory in Xianglu Operation

Equipment	Unit	Place						
		Surface	Portal	Level 1	Level 2	Level 3	Level 4	Total
Air compressor	Pc	2		1				3
	kW	110		18.5				128.5
Winch	Pc		1	1	1			3
	kW		75	22	22			119
Fan	Pc		1	1				2
	kW		22	11				33
Pump	Pc			2	1	1		4
	kW			8.6	11	7.5		27.1
Cutter	Pc	1						1
	kW	2.2						2.2
Grinder	Pc	1						1
	kW	2.2						2.2
Jumbo	Pc	1						1
	kW	1.1						1.1
Subtotal	**kW**	**115.5**	**97**	**60.1**	**33**	**7.5**	**0**	**313.1**
Welder	Pc	1						1
	kVA	315						315
Lighting Transformer	Pc		1	3x3	1	1		6
	kVA		5	9	3	5		22
Industrial transformer	Pc	2						2
	kVA	600						600

5.7 Recommendations

SRK believes that the combination of the 8 operations into the west and east operations will benefit the company by improving the productivity.

SRK believes that the mining method that the mine adopts is effective as it has been verified by years of practice.

SRK suggests covering the fill surface or taking other method to prevent the mixing of high grade ore or fine ore with the fill.

Complete mine feasibility study and design are essential for the proposed production expansion to 2000tpd.

Hunan Westralian is proposing to sink a vertical shaft in the west section for the future production expansion, while SRK suggests that the company should consider a global planning of shafts in the mine.

For Xianglu operation the company should consider- effective monitoring and management methods to prevent stealing of the high grade ore.

SRK suggests the company installing passenger cars in declines that are deeper than 90m.

In Shenjiaya operation, 10kV power line is connected with the substation underground, which can assure the voltage on the working face. However, as the tunnel section is small, risks are existed and SRK suggests an assessment on this power line risks.

6 Ore Processing Assessment

6.1 Ore Property

The ore is identified as quartz vein type gold deposit of low sulphur. The majority of metallic minerals are composed of pyrite, nature gold, nature silver, dalarnite, galenite, spalerite, chalcopyrite and limonite, etc. The majority of non-metallic minerals are including quartz, sericite mica, chlorite, calcite, feldspar, taltalite, etc. The multiple assay result is shown in Table 6-1.

Table 6-1: Multiple Ore Assay Result

Item	Au	Ag	S	As	SiO2	Al2O3	CaO	MgO	Tfe
Content	4.32g/t	1.20g/t	0.41%	0.09%	68.98%	6.46%	1.32%	1.44%	3.42%

Gold is the only economic element, and the gold-bearing minerals including visible gold (middle-fine grains and micro grains) are disseminated in rock fractures. The invisible gold is normally appeared as mineral inclusion of pyrite and non-metal gangue.

The ore is of simple character and can be easily processed; cyanide leaching or conventional flotation method is feasible for gold recovering. SRK has sighted the existence of coarse grained gold which is recovered by amalgamation method, indicating an evidence of coarse grained gold's occurrence. Gravity separation is recommended for pre-concentration of coarse grained gold.

6.2 Ore Amenability

In January 2007, Australian Metallurgical & Mineral Testing Consultants Co., Ltd (AMMTEC LTD) conducted grindability test, flotation test and cyanide leaching test on three ore samples, and obtained good result. The flotation test flowsheet is shown in Figure 6-1 and the result is detailed in Table 6-2, the result of cyanide-leaching test is shown in

Table 6-3 and the result of grindability test is shown in Table 6-4.

Various test results indicated the ore is of middle level's grindability. Gold recovery above 91% had been yielded in flotation test, and gold extraction rate above 85% had been yielded in cyanide leaching test. SRK believes that the ore is amenable in general except Shenjiaya deposit that is of relative poorer amenability. The raw ore grades that have been obtained from back calculation are of great variety which indicated the existence of gold particle, and gold particle is one of the issues effecting flotation and gold extraction rate in cyanide-leaching process. If the particle is coarse, a potential resource loss may be generated due to floating difficulty and incomplete dissolution during cyanidation. Micro grained gold (invisible) bearing in sulphide or non-sulphide gangue is another factor resulting in lower gold recovery in cyanide-leaching.

It is SRK's opinion that the flotation or cyanide-leaching method can be used to produce gold concentrate or crude gold/silver ingots respectively, and no matter which method will be taken, coarse gold recovery process should be conducted in advance. Amalgamation and gravity are conventional separation methods, since amalgamation is a national prohibition/restriction, most gold concentrators adopt gravity separation. Also, it's advanced and matured to use Knelson concentrator and shaking table in milling-screening circuit.

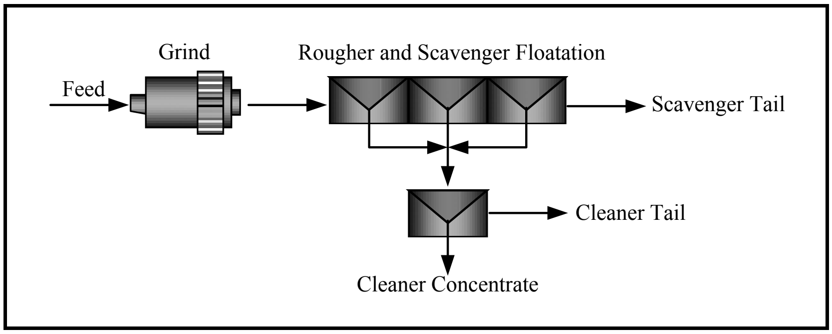

Figure 6-1: Flowsheet of Flotation Test

Table 6-2: Flotation Test Result

Sample	Grind Size (μm)	Cleaner Concentrate					Estimated Head Grade	
		Wt. (%)	Gold		Silver		Au (g/t)	Ag (g/t)
			g/t	Rec'y,%	g/t	Rec'y,%		
358	106	3.01	238	94.9	5.00	13.4	7.56	1.12
Bao Muyuan	106	2.04	261	94.4	15.0	23.8	5.65	1.29
Shenjiaya	106	1.26	267	91.2	8.00	9.26	3.69	1.09

Note: Rec'y - recovery

Table 6-3: Cyanide-leaching Test Result

Sample	Grind Size (μm)	Lime Add'n (kg/t)	NaCN Used (kg/t)	Gold Attraction (%,24hrs)	Silver Attraction (%,24hrs)	Residue Au (g/t)	Estimated Head Grade (Au, g/t)
358	106	0.67	0.30	97.5	58.3	0.36	14.28
	75	0.67	0.33	91.9	50.0	0.33	4.05
Bao Muyuan	106	0.63	0.33	91.5	37.5	0.30	3.48
	75	0.63	0.23	89.2	37.5	0.28	2.62
Shenjiaya	106	0.69	0.33	84.0	56.5	1.41	8.82
	75	0.69	0.30	85.0	47.4	1.04	6.95

Table 6-4: Ore Milling Test Results

Sample	F80* (µm)	P80 * (µm)	Test Aperture (µm)	Band Ball Mill Work Index (kWh/t)
358	2568	74	106	16.0
Baomuyuan	2606	83	106	17.5
Shenjiaya	2585	85	106	17.6

* F80- 80% Wt. of feed material has grain size less than the numbers in the column

* P80- 80% Wt. of product material has grain size less than the numbers in the column

6.3 Process Description

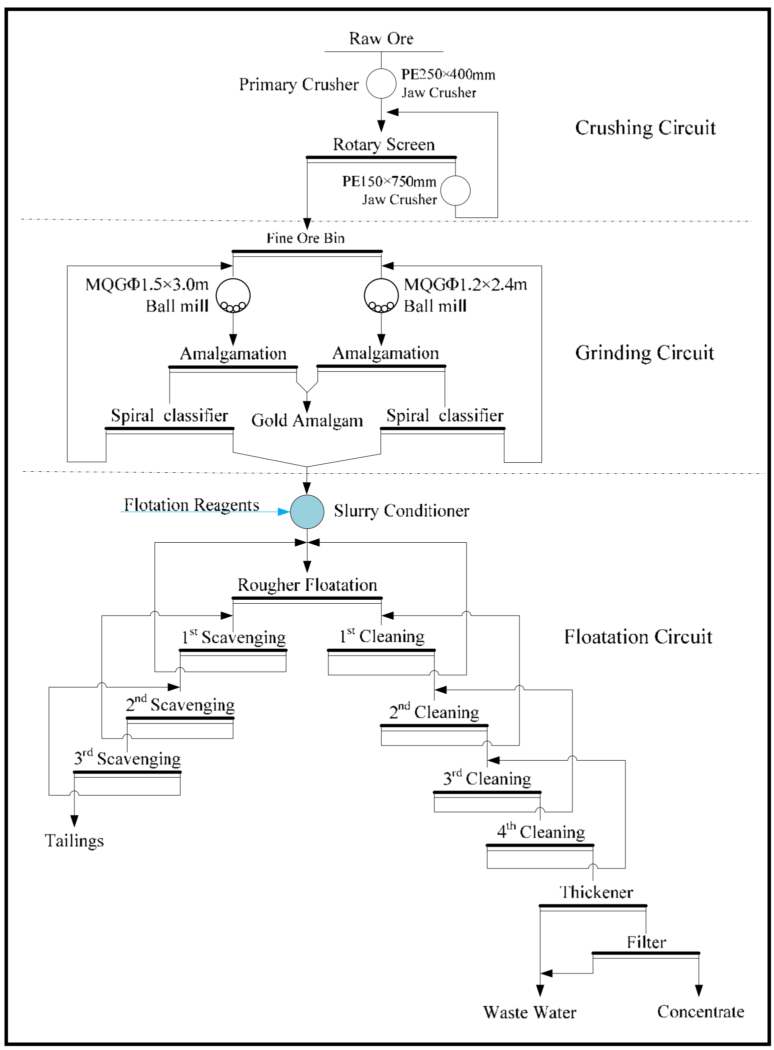

Figure 6-2: Processing Flowsheet of Baomuyuan Plant

The current running processing plants are of similar flowsheet. Figure 6-2 shows the folwsheet of Baomuyuan plant which consist of three major circuits, detailed as below:

6.3.1 Crushing Circuit

Two staged close circuit will crush the ore to a grain size less than 210mm to 25mm. The ore that has been underground mined is stocked in the raw ore pile and fed into primary bin by front-loader and lift-tramcar. Then the ore is fed into primary jaw crusher by vibrating feeder. The crushed ore is conveyed into drum screen by No 1 belt and the screen is of 1m diameter and 25-30mm mesh size. The oversized ore is fed to secondary jaw crusher by No 2 belt, the re-crushed ore is sent back to drum screen. The undersized ore is conveyed to two fine ore bins by No 4 and No 5 belt. The equipment picture of crushing and screening is shown in Figure 6-3

Figure 6-3: Equipment Pictures of Crushing and Screening

6.3.2 Milling Circuit

One stage close circuit mills ore to 75-80% passing 75µm, and the milling circuit is composed of two production lines which are scaled as 150tpd and 50tpd, respectively. The process flowsheet is described as: crushed ore is vibrating-fed into ball mill through conveyer belt, the undersized ore flows into single-spiral classifier, and the oversized ore is sent back to ball mill for re-milling, then undersized ore flows into conditioner. Amalgamation plate is installed between ball mill and spiral classifier. Figure 6-4 shows the picture of milling-screening circuit and amalgamation plate.

Figure 6-4: Picture of Milling-screening Circuit Amalgamation Plate

6.3.3 Flotation Circuit

The undersized ore from classifier flows into an agitator drum (2m diameter), after the blending with reagents, the pulp flows into a series of flotation cells and is processed by 1 × roughing, 3 × cleaning and 4 × cleaning scavenging, and eventually output gold concentrate and tailings are produced. The product is of 11-12% moisture content after thickening and dehydration, and is packed by weaving bags for sale. Tailings are agitated with lime and piped into TSF (Tailing Storage Facilities). Figure 6-5 shows the equipment pictures of flotation cell and dehydrator.

Figure 6-5: Equipment Pictures of Flotation Cell and Dehydrator

6.4 Production Index

6.4.1 Production Index

Table 6-5 shows the actual production indexes of April and May 2009.

Table 6-5: Production Indexes of April and May 2009

Indices	Units	Apr-09		May-09	
		Baomuyuan	Desheng	Baomuyuan	Desheng
Ore Throughput	t	3150	937	2657	1023
Head Grade	g/t	12.22	4.75	13.99	7.97
Classifier Overflow Grade	g/t	8.67	3.15	11.79	5.41
Concentrate Grade	g/t	172.06	95.55	178.55	133.65
Tailings Grade	g/t	0.64	0.55	0.45	0.54
Theoretical Concentrate Weight	t	147.06	25.51	168.75	37.45
Gold Amalgam Yield	kg	31.90	4.28	17.03	7.58
Theoretical Amalgam Recovery	%	29.05	33.68	15.73	32.12
Overall Recovery	%	94.74	88.38	96.79	93.56

6.4.2 Material Consumption

SRK has not been provided with specific material consumption. The estimation of material consumption for each tonnage of ore produced is presented in Table 6-6 for reference.

Table 6-6: Material Consumption

Materials	Consumption
Mercury (g/t)	10
Sodium Butyl Xanthate (g/t)	110
Ammonium Dibutyl Dithiophosphate (g/t)	90
MIBC (g/t)	30
Lime (g/t)	2000
Steel Balls (g/t)	2100
Power (kWh/t)	50
Water (m3/t)	3

6.4.3 Process Control

Raw ore samples have been taken at the ore input and output points of ball mill, and samples of overflow and underflow have been taken at spiral classifier. Beside, samples of concentrate and tailings have been collected as well. Samples are collected in one hour interval with a total eight samples being grouped as one shift batch, are then sent to laboratory for assaying.

An good laboratory has been established on mine sites which is capable of conducting assays based on various methods including fire, atomic absorption and volumetric. SRK believes that the laboratory can fulfil the requirement of control procedure. Assay methods and standard samples are illustrated in Figure 6-6.

Figure 6-6: Assay Methods and Standard Samples

6.5 Tailings Storage Facilities

Baomuyuan and Desheng plants share one TSF which is 300m away from the Baomuyuan plant. The TSF was built on a dumped river stream after Zhongxi River has changed its flowing path as shown in Figure 6-7.

This TSF had been finished with river diversion design and engineering design by Yuanling County Water and Power Survey & Design Institute. The TSF will be rockfilled at the U-shaped river's upstream and downstream. The designed storage capacity is 213,000m^3. Currently almost 50,000 t tailings have been stored.

In 2009, the TSF's expansion design had been conducted by Changsha Design & Research Institute, Ministry of Chemical Industry. The total storage capacity was increased to 1317,900m3 with available capacity of 922,500m3. Starter dam will be filled by roller compaction. No 1 starter dam will be built at upstream, of 11m crest high, 4m crest width and 77.5m crest axis, the slope ratio of dam's both sides is 1:2. No 2 starter dam will be built at downstream, of 11m crest high, 4m crest width and 51.5m crest axis, the slope ratio of dam's both sides is also 1:2. On the two dams' upstream faces, it'll be laid with geotextile filter layer and artificial stone slope protection. On the two dams' downstream faces, masonry revetment will be built in order to prevent dam from being stream scoured. Upstream embankment consists of 5 sub dams with 4m height of each one. The average slope ratio of downstream face is 1:4. Infiltration plastic catheter is installed inside sub dam to lower seepage line and prevent dam from being failure. The final dam height is estimated as 31m. The water discharge system consists of decant well (3m) and drainage culvert (1.5m×1.8m). During SRK site visit, the TSF hasn't been started construction yet.

Due to the TSF's relative low position, the tailings of both processing plants can naturally flow into TSF by gravity. Prior to the tailing getting into TSF, lime has been added as flocculant to clear the tailings' water, then discharged into Zhongxi River without any treatment. SRK believes that the discharged water appears as limpidity, but the reagent content will cause COD (chemical oxygen demand) over standard and pollute Zhongxi River eventually.

Figure 6-7: The View of TSF

6.6 Future Plan

The company plans to built a new processing plant in Zhengjiashan scaled at 500tpd to replace current small plants. The new plant is designed to be built in the centre area of mine site, the location of main shaft, all the level's output will be hoisted through main shaft and transported to Zhengjiashan processing plant. The mining and processing feasibility studies had been commissioned to design institutes. Flotation circuit will be designated to the new plant, but Knelson concentrator will be installed in milling-screening circuit instead of amalgamation plate. It is SRK's opinion that the general plan is feasible, but the final scale should be matched with total recoverable resources and mining production rate and, which should be based on the detailed feasibility study. SRK also suggests cyanidation cab be an alternative processing method, and accordingly, a comparative and economic study should be conducted between flotation and cyanidation to decide which one should be chosen.

7 Occupational Health and Safety

7.1 Safety Approvals and Permits

The Hunan Safety Production Monitoring Bureau issued the *Safety Production Permit for the Baomuyuan Gold Mine, No.2008-6905, Hunan Westralian Mining Company Limited* on 12 January 2008 (valid until 2 December 2009). This permits Hunan Westralian to undertake underground mining at the Baomuyuan Gold Mine.

No other safety approvals and/or permits for the Yuanling Gold Project have been sighted as part of this review.

7.2 Occupational Health and Safety Procedures

The Yuanling Gold Project has a well developed and comprehensive safety management system, comprising site inductions, site policies, safe work procedures, training, risk/hazard management (including signage), required use of personal protective equipment (PPE), emergency response process, incident/accident reporting, an onsite first aid/medical centre, designated safety responsibilities for site personnel, regular safety meetings and a work permit/tagging system.

The minimum PPE use required on site are hard hat, safety glasses, safety footwear and cap lamps (underground). In addition there are also requirements for the use hearing protection, respiratory protection and gloves in signposted areas. SRK observed the use of theses PPE during the site visit.

7.3 Occupational Health and Safety Training

The site induction states that all employees will receive training in the following:
- Duty of care.
- Hazard identification and risk control.
- Chemical Management.
- Fire prevention and control.
- Emergency response procedure.
- Accident / Incident Report and Investigation.
- Safe working procedures.
- Job safety analysis.
- Effective safety communication

The detailed safety training programs for the above areas and the employee safety training records, have not been sighted.

7.4 Historical Occupational Health and Safety Records

Hunan Westralian has stated that there have been no significant OHS accidents and/or incidents for the Yuanling Gold Project, and that OHS accident and incident statistics are recorded. These OHS accident and incident statistics have not been sighted.

8 Environmental Assessment

8.1 Environmental Review Objective

The objective of this environmental due diligence review is to identify and/or verify the existing and potential environmental liabilities and risks, and assess any associated proposed remediation measures for the Yuanling Gold Project.

The List of the project sites/facilities that have been reviewed and any that are excluded (provide comment on why these have been excluded).

The Yuanling Gold Project is located in the Guanzhuang Town 82 km east of the Yuanling County, Hunan Province and comprises:

- Guanzhuang Gold Underground Mine – mining production capacity of 400tpd, current mining production is 220tpd. Comprises eight mining sections; Zhengjiashan, Xianglu, Jinzhuwan and Jiufa (east sections); and Shenjiaya, Baomuyuan, Xiaochongzi and Desheng (west sections).

- Baomuyuan Ore Processing Plant – ore processing capacity 200tpd, current processing is 170tpd.

- Desheng Ore Processing Plant – ore processing and current production of 50tpd.

- Xiaochongzi Processing Plant – ore processing capacity 100tpd, being commissioned and is currently not in production.

The Yuanling Gold Project is owned and operated by Hunan Westralian Mining. Hunan Westralian has stated that they plan to increase the production capacity for the Yuanling Gold Project to 2,000tpd. No project assessment and/or planning documentation for this proposed production increase have been sighted as part of this review.

8.2 Environmental Review Scope and Standards

Environmental compliance and conformance for the Yuanling Gold Project was determined through the review of the project's environmental management performance against:

- Chinese National environmental regulatory requirements (Appendix 3).
- World Bank/International Finance Corporation (IFC) environmental standards and guidelines (Appendix 4).
- Internationally recognised environmental management practices.

8.3 Status of Environmental Approvals and Permits

Business Licence No.431200400000094 was issued to Hunan Westralian Mining Company Limited by Huaihua City Industry and Commerce Administration Bureau on 6 July 2005 (valid until 6 July 2035). The licensed business activities for Hunan Westralian are mineral resource exploration, mining, processing of gold.

Mining Licence No.4300000820405 for the Guanzhuang Gold Mine was issued by the Hunan Province Land and Resource Bureau on 18 August 2008 (valid until January 2010).

The approved mining licence area is 6.3126km^2. The approved mining production is underground mining at 1,5000tpa (50tpd). Mining Licence No.4300000820405 is an amalgamation of eight previous eight mining licences which covered the eight mining sections; Zhengjiashan, Xianglu, Jinzhuwan and Jiufa (east sections); and Shenjiaya, Baomuyuan, Xiaochongzi and Desheng (west sections).

The Environmental Impact Assessment (EIA) Registration Table Reports (*Environmental Impact Register for the Alteration and Transfer of the Mine*) for the eight mining sections were all produced by Hunan Westralian in October 2007. The purpose for these reports was to facilitate the amalgamation of the eight mining sections into Mining Licence No.4300000820405. No approvals for these eight EIA Registration Table Reports have been sighted. Hunan Westralian has stated that no separate EIA report was required for the issuing of Mining Licence No.4300000820405; due to the process comprising an amalgamation of the existing licences (i.e. no additional/new mining areas were granted). However, Hunan Westralian has stated that the current mining production at the Yuanling Gold Project is approximately 220tpd (with a mining production capacity of 400tpd). No EIA report and approval for this expanded mine production has been sighted.

The EIA report for the 150tpd Baomuyuan Processing Plant Expansion Project was produced by the Huai Hua City Environmental Protection Scientific and Research Institute in July 2008. This report has been sighted but no copy of this report has been provided to SRK for this review. Hunan Westralian has stated that the '150tpd Baomuyuan Processing Plant Expansion Project' includes the combination of the Baomuyuan and Desheng Processing Plants. The 150tpd Baomuyuan Processing Plant Expansion Project EIA report was approved by the Huai Hua City Environmental Protection Bureau (EPB) on 19 August 2008. No EIA report and approval for the 100tpd Xiaochongzi Processing Plant has been sighted.

No Water and Soil Conservation Plans (WSCP) and Final and Checking and Acceptance reports and the associated approvals for the current project operations have been sighted.
No operational permits (Land Use, Water Use and Site Discharge Permits) for the current project operations have been sighted.

8.4 Environmental Compliance and Conformance

Hunan Westralian have stated that the current mining production at the Yuanling Gold Project is approximately 220tpd (with a mining production capacity of approximately 400tpd), and the current stated total ore processing production and capacity is 350tpd.

The current mining production (220tpd) exceeds the approved production rate of 1,5000tpa (50tpd) stated in Mining Licence No.4300000820405. The current ore processing production (220tpd) also exceeds the approved production rate of 150tpd as stated in the approval of the Baomuyuan Processing Plant Expansion Project EIA report. SRK makes the observation that the current operations of the Yuanling Gold Project do not comply with the stated project approval production limits.

Hunan Westralian has stated that they are currently producing a mine feasibility study, EIA reports and WSCP's to match their current production capacity. No contracts for the completion of these studies and preparation of these reports have been sighted. In addition, no schedule for this program of works and for gaining of subsequent project approvals has been sighted. SRK notes that these reports will need to be completed and approved prior to the amendment (i.e. increased production rate) and renewal of Mining Licence No.4300000820405. SRK also notes that Mining Licence No.4300000820405 expires in

January 2010. SRK recommends that Hunan Westralian document a detailed project schedule that includes the:

- Completion of the project expansion assessment and planning studies.
- Preparation and submission of the required project assessment and approval documentation.
- Anticipated timing for gaining the subsequent project approvals.

As no EIA approval associated with the issuing of Mining Licence No.4300000820405 and the current mining operations has been sighted, SRK is not able to assess the current level of compliance for the existing mining operations with the project environmental approval conditions.

The approval for the 150tpd Baomuyuan Processing Plant Expansion Project EIA report (Huai Hua City EPB, 19 August 2008) makes the following relevant statements in respect to the environmental management of the project's ore processing:

- Waste water management – process and plant washdown should be collected for reuse, with a target of 75% reuse. Domestic wastewater should be treated prior to discharge.

- TSF design and management – TSF should be designed and constructed based on maximum flood prevention (dam wall should have minimum height of 20m). The TSF design should also include measures for seepage prevention, wall stability and post-closure rehabilitation.

- Dust management – dust collection should be used on the ore handling. All the collected dust should be reused for production.

- Waste management – domestic waste should be buried

- Noise management – low-noise equipment should be utilised where possible and noise reduction measures should be adopted for high-noise equipment.

- Emergency response – an emergency response plan and hazard prevention measure should be developed.

- Final check and acceptance – the application for project commissioning/trial production must be submitted to the Huaihua City EPB and the application for final check and acceptance should be sent to the Huaihua City EPB after project commissioning completed (submission to be no longer than 3 months after completion of project commissioning.

The operation of the Baomuyuan and Desheng Processing Plants is currently generally in compliance with the above project environmental management and approval statements. However, the following site environmental management items present potential environmental non-compliances:

- Waste water management – process water is recovered within the Baomuyuan and Desheng Processing Plants. However, there is no return water system in place for the TSF's. No tailings water recovery/reuse monitoring data has been sighted.

- Dust management – no dust collection was observed in the ore handling.

- TSF design:

- Seepage prevention measures – the Preliminary Design of Baomuyuan TSF (August, 2008) states that the dam is permeable (i.e. no seepage prevention)

- Post closure rehabilitation – the Preliminary Design of Baomuyuan TSF (August, 2008) does not include any final TSF rehabilitation design.

- Final check and acceptance – the applications to the Huaihua City EPB for approval to project commissioning/trial production and for the final check and acceptance of the 150tpd Baomuyuan and Desheng Processing Plants, have not been sighted.

Further details on the management of the above potential environmental non-compliances are provided in the following sections.

SRK notes that the use of the mercury amalgamation process is not in line with current recognised international gold extraction practice and presents a risk of mercury contamination to the environment. Hunan Westralian has stated that the mercury amalgamation extraction process is a closed process, and that all mercury is recovered from the process. SRK has not sighted any relevant monitoring/assessment data to support this statement (i.e. mercury usage/reconciliation data, environmental monitoring data [for mercury] and a documented geochemical assessment of the tailings).

The historical use of mercury gold extraction by the previous operators of the Yuanling Gold Project, also presents a potential for significant historical land contamination to be present within the project area. The current status with the assessment and management of this potential historical land contamination is not clear. Hunan Westralian has stated that they completed a contaminated sites assessment of the project area prior to the project acquisition and that no contamination was found. However, they also stated that they there are no records of this contaminated sites assessment and the process comprised only an informal visual assessment. SRK recommends that a contaminated sites assessment and management process in line with recognised international industry practice is developed and implemented for the Yuanling Gold Project. Further details on the assessment and management of the project's potential historical environmental contamination are provided in Section 8.13.

8.5 Land Disturbance

The main impact on the surrounding ecological environment is due to disturbance and contamination caused by surface stripping, waste rock and tailings storage, processing plant drainage, processing waste water, explosions, transportation and associated buildings that are erected. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted and the land utilization function will be changed, causing an increase in land desertification, water loss and soil erosion.

No documented estimates of the total land disturbance area or surveys of the current area of land disturbance, for the Yuanling Gold Project have been sighted. SRK recommends that Hunan Westralian establish an annual process to survey and record the actual areas of project land disturbance and areas rehabilitated.

8.6 Flora and Fauna

No documented assessment of the significance of the flora and fauna found within or surrounding the Yuanling Gold Project area has been sighted. SRK makes the observation that the relevant flora and fauna studies/surveys and any subsequent management requirements, should be included within the project EIA's and WSCP's that are currently in production.

8.7 Waste Rock and Tailings Management

8.7.1 Waste Rock Management

The waste rock generated at the Yuanling Gold Project is either deposited in waste rock dumps (situated near the portals for each mining section), or reused underground to backfill mined out areas. No documented estimates or records, of the actual waste rock generation for the Yuanling Gold Project have been sighted. In addition, no life of mine plan for waste rock storage that confirms the total waste rock backfilling and dumping requirements and associated storage capacities has been sighted.

No documented designs for the surface waste rock dumps have been sighted (i.e. including rehabilitation designs). During the site visit, SRK made the following observations in respect to the surface storage of waste rock:

- Waste rock was being reused around the mine portal areas for road construction and/or surface covering of industrial areas.
- Waste dumps are generally small in size and located near each mine portal, utilising the natural steep topography (i.e. dumped into valleys).
- Sediment collection/landslide containment dams constructed downstream of each waste rock dump.
- No stormwater/flood diversion channels were observed upstream of and along both sides of each waste rock dump.
- No safety berms were observed at the dumping point of each waste rock dump.

No waste rock geochemical/acid rock drainage (ARD) assessment has been sighted. The ore has been characterised as having low sulphur. Hunan Westralian provided SRK with a representative Multiple Ore Assay Result, has the Total Sulphur content for the ore at 0.41%. Hunan Westralian has stated that they have not experienced any ARD or contaminant leaching from the existing waste rock dumps, including from long term storage waste rock (i.e. stored for at least 10 years). During the site visit, SRK did not observe any evidence of ARD or contaminant leaching from the existing waste rock dumps. These site observations and the low sulphur content of the ore, indicates that the potential for the project's waste rock to generate any significant ARD/leaching impacts is low.

8.7.2 Tailings Management

Process tailings are currently being generated from the Baomuyuan and Desheng Processing Plants. No documented estimates or records, of the tailings generated for the Yuanling Gold Project have been sighted. Hunan Westralian has stated that on average the Baomuyuan plant will produce 5tpd of concentrate and 165tpd of tailings, and the Desheng plant will produce 1.5tpd of concentrate and 48.5tpd of tailings. The generated tailings are currently sent to the Baomuyuan TSF. The TSF located at the Desheng plant is full and not in operation. There is another TSF located at the Xiaochongzi Processing Plant which is not currently operational.

The Baomuyuan TSF is located in the Zhong Xi Valley approximately 300m downstream of the plant 16km SW of the ZhengjiaShan Village. Tailings are transferred to the Baomuyuan TSF by gravity through in high density polyethylene (HDPE) pipes. Tailings/process water is recovered at the processing plant; there is no return water system with the Baomuyuan TSF. No tailings/process water recovery/reuse monitoring data has been sighted for the Baomuyuan and Desheng Processing Plants.

The tailings water within the Baomuyuan TSF is collected by a decant tower within the dam and drained into a secondary lined settling pond prior to discharge. In this settling pond, lime is added to the tailings water as flocculant. No quality monitoring of the discharged tailings water has been sighted.

The Baomuyuan TSF Preliminary Design report (August, 2008) states that the TSF has a total storage design capacity of 1,317,880m^3. No other life of project estimates for the tailings storage requirements and the associated storage capacities within each TSF has been sighted. No final rehabilitation design for each TSF has been sighted.

The flood prevention measures for the Baomuyuan TSF comprise an upstream surface water diversion channel. There is no stated minimum freeboard for the operation of the Baomuyuan TSF.

The mercury amalgamation process is utilised for the gold extraction. Hunan Westralian has stated that the mercury amalgamation extraction process is a closed process, and that no mercury goes to the tailings. SRK has not sighted any mercury usage/reconciliation data and a documented geochemical assessment of the tailings, to support this statement.

No ARD assessment of the tailings, to determine the potential for leaching impacts, has been sighted. However, as the Total Sulphur content of the ore is low (0.41%) and SRK did not observe any evidence of ARD or contaminant leaching from the Baomuyuan TSF, indicates that the potential for the project's tailings to generate any significant ARD/leaching impacts is low.

SRK has been provided with a copy of a recent (December 2008) Environmental Monitoring Report for the Xiaochongzi TSF, completed by the Yuanling County Environmental Protection Monitoring Station. This monitoring report covers the quality of the tailings water. SRK makes the observations that Xiaochongzi TSF is currently not in operation and that monitoring parameters in the report include cyanide and do not include mercury. SRK has not sighted any environmental monitoring reports/data for the Baomuyuan TSF. SRK recommends that the quality of the tailings water being discharged from the Baomuyuan TSF be monitored as part of a broader site environmental monitoring program.

8.8 Water Aspects and Impacts

The main surface water resource for the project area is the Zhong Stream which is located adjacent to the Baomuyuan mine and processing plant. There are no significant groundwater resources (beneficial aquifers) within the project area.

Mine dewatering is undertaken; the mine water is collected underground and pumped to the surface for reuse in mining or for discharge. Hunan Westralian stated that the mine water flows are low and the average pumping requirement is 3-4 hours per day. During the site visit of the Baomuyuan mine, SRK observed the mine water being pumped into a surface sump with an overflow discharge. The mine water overflow was drained via pipes to the sediment collection dam constructed downstream of the waste rock dump. The mine water is then settled and allowed to seep be discharged via an overflow pipe. No records of the volumes and quality of mine water generated/collected, reused and discharged have been sighted.

Hunan Westralian has stated that the processing and domestic water supply is sourced from surface water sumps in the nearby Zhong Stream. Process water is recovered within each plant, with the surface water resource supplying the make up water. No tailings/process water recovery/reuse monitoring data has been sighted. No records of the volumes of surface water usage and no associated water use permit have been sighted.

Hunan Westralian has stated that the project area is generally subject to flooding, however, the flooding risk to the project is relatively low due the mining and processing facilities being situated at high elevations above the flooding level. SRK has not sighted any flood assessment study or data for the project area. Hunan Westralian has further stated the underground mine flood management is focussed mainly on minimising water accumulation and seepage. Diversion channels have been constructed upstream of the mining area and drainage channels have been constructed at the low points.

No groundwater and surface water quality monitoring program has been sighted for the Yuanling Gold Project. Only a copy of a recent (December 2008) Environmental Monitoring Report for the Xiaochongzi TSF completed by the Yuanling County Environmental Protection Monitoring Station, which covers the quality of the tailings water, has been sighted. SRK recommends that quality monitoring be undertaken of the surface water resources within the project area (including upstream and downstream of the project area), and also any site water discharges. This water quality monitoring should form part of a broader site environmental monitoring program.

8.9 Air Emissions

8.9.1 Dust Emissions

The surface fugitive dust emission sources for the Yuanling Gold Project are mainly from the stockpiles (ore and waste rock), open/cleared areas and movement of vehicles/mobile equipment. Hunan Westralian has sated that the potential for dust generation from the ore handling is low as the moisture content in the ore is high (no ore moisture content data has been sighted). The conditions at the time of the site visit were wet, so there were no observations of dust emissions from these sources. SRK also did not observe any specific environmental dust management measures being implemented during the site visit. SRK notes that the EIA Registration Table Reports for the eight mining sections do not state any proposed environmental dust management measures (including ambient dust monitoring).

The approval for the 150tpd Baomuyuan Processing Plant Expansion Project EIA report states that '*dust collection should be used on the ore handling. All the collected dust should be reused for production'*. SRK did not observe any dust collection for the ore handling during the site visit. SRK recommends that a site dust management program be developed and implemented that includes the dust collection for ore handling and the watering of stockpiles, roads and open areas on an as required basis. Consideration should also be given to include the monitoring of dust levels on the project boundary, as part of a broader site environmental monitoring program.

8.9.2 Gas Emissions

Hunan Westralian has stated that there are no significant stack gas emission sources for the Yuanling Gold Project. The boilers used on site for heating are electrical.

8.9.3 Greenhouse Gas Emissions

There is no Chinese National legislative requirement for the project to estimate its Greenhouse Gas emissions or to implement any emissions reductions. As such none of the project environmental assessment documentation reviewed addresses the issue of Greenhouse Gas emissions. However, energy efficiency and the reduction of Greenhouse Gas emissions are now considered as Chinese National policy directives. In addition, these are also components of IFC environmental requirements and are considered as internationally recognised environmental management practices. Therefore, SRK recommends that consideration be given to developing initiatives to quantify Greenhouse Gas emissions and assess possible emission reduction strategies for the Yuanling Gold Project.

8.10 Noise Emissions

The surface noise emission sources for the Yuanling Gold Project are from ore handling (i.e. loading, haulage, crushing and grinding), air compressors and movement of vehicles/mobile equipment. The EIA Registration Table Reports for the Baomuyuan and Desheng mines state that the residences are located within approximately 200m to 1,500m from the site boundaries. The approval for the 150tpd Baomuyuan Processing Plant Expansion Project EIA report states that '*low-noise equipment should be utilised where possible and noise reduction measures should be adopted for high-noise equipment*'. SRK makes the observation that all ore processing equipment is housed within enclosures.

Hunan Westralian has stated that stated that they have received no public complaints in relation to the current site noise emissions and that no site noise monitoring is undertaken.

8.11 Hazardous Materials Management

Hunan Westralian has provided the following regent list and consumption figures for the Baomuyuan and Desheng processing plants:

- Mercury – 10g/t
- Sodium Butyl Xanthate – 110g/t
- Ammonium Dibutyl Dithiophosphate – 90g/t
- MIBC – 30g/t
- Lime – 2,000g/t

With exception of mercury, the above reagents are stored within dedicated enclosed areas within the processing plants. Mercury is stored on site in 30kg bottles within a secure area in the site laboratory.

Hunan Westralian has also stated that the mercury consumption is 1kg/day and that this recovered on monthly basis (i.e. with some minor losses to the concentrate). Mercury usage reconciliation is also undertaken on a monthly basis. SRK has not sighted any mercury usage reconciliation data.

There is no storage of fuel on site, the mining equipment is electric and the site vehicles are fuelled and serviced off-site. There are only minor amounts of oils utilised on site for the maintenance of the fixed plant. The oils are stored in 205L drums in lined and enclosed areas, within the processing plants.

8.12 Waste Management

8.12.1 Waste Oil

Minor amounts of waste oil are generated from the maintenance of fixed plant. This waste oil is stored in 205L drums in lined and enclosed areas, within the processing plants. The stored waste oil is collected by a recycling agent on regular basis and taken off-site for recycling.

8.12.2 Solid Wastes

Hunan Westralian has stated that disposal of solid domestic and industrial waste is via a site landfill. This landfill facility was not inspected during the site visit. During the site visit, it was noted that there was no significant uncontrolled solid waste disposal.

8.12.3 Sewage and Oily Waste Water

Hunan Westralian has stated that disposal of domestic sewage and oily waste water is via below ground septic tanks. These facilities were not inspected during the site visit.

8.13 Contaminated Sites Assessment

The assessment, recording and management of contaminated sites within mining or mineral processing operations, is a recognised international industry practice (i.e. forms part of the IFC Guidelines) and in some cases a National regulatory requirement (e.g. an Australian environmental regulatory requirement). The purpose of this process is to minimise the level of site contamination that may be generated throughout a project's operation while also minimising the level and extent of site contamination that will need to be addressed at site closure.

A contaminated site or area can be defined as:

"An area that has substances present at above background concentrations that presents or has the potential to present a risk of harm to human health, the environment or any environmental value".

Contamination may be present in soil, surface water or groundwater and also may affect air quality through releases of vapours or dust.

Examples of typical contaminated areas within a mining/mineral processing project are spillages to soil/water of hydrocarbons and chemicals, and uncontained storage and spillages to soil/water of ores and concentrates.

The process to assess and record the level of contamination basically involves a combination of visual (i.e. suspected contamination observed from spillages/releases) and soil/water/air sampling and testing (i.e. to confirm contaminant levels). Once the level of contamination is defined, the area's location and contamination details are then recorded within a site register.

Remediation/clean up of contamination areas involves the collection and removal of the contaminated materials for treatment and appropriate disposal, or in some cases the in-situ treatment of the contaminated (e.g. use of bioremediation absorbents on hydrocarbon spillage). The other key component to the management of contaminated areas is to also remove or remedy the source of the contamination (e.g. place hydrocarbon storage and handling within secondary containment).

SRK did not observe direct evidence of current contamination to soil during the site visit of the Yuanling Gold Project. However, the historical and current use of mercury for gold extraction at the Yuanling Gold Project, presents a potential for significant land contamination to be present within the project area. Hunan Westralian has stated that they completed a contaminated sites assessment of the project area prior to the project acquisition and that no contamination was found. However, they also stated that there are no records of this contaminated sites assessment and the process comprised only an informal visual assessment. SRK recommends that a contaminated site assessment and management process in line with recognised international industry practice is developed and implemented for the Yuanling Gold Project.

8.14 Environmental Protection and Management Plan

The purpose of an operational Environmental Protection and Management Plan (EPMP) is to direct and coordinate the management of the project's environmental risks. The EPMP documents the establishment, resourcing and implementation of the project's environmental management programs. The site environmental performance is monitored and feedback from this monitoring is then utilised to revise and streamline the implementation of the EPMP.

No operational EPMP for the Yuanling Gold Project has been sighted. SRK recommends that an operational EPMP in line with Chinese National requirements and recognised international industry practices is developed and implemented for the Yuanling Gold Project.

8.15 Emergency Response Plan

The IFC describes an emergency as 'an unplanned event when a project operation loses control, or could lose control, of a situation that may result in risks to human health, property, or the environment, either within the facility or in the local community'. Emergencies are of a scale that have operational wide impacts, and do not include small scale localised incidents that are covered under operational area specific management measures. Examples of an emergency for a mining/mineral processing project are events such as pit wall collapse, underground mine explosion, the failure of a TSF or a large scale spillage/discharge of hydrocarbons or chemicals.

The recognised international industry practice for managing emergencies is for a project to develop and implement an Emergency Response Plan (ERP). The general elements of an ERP are:

- Administration – policy, purpose, distribution, definitions of potential site emergencies and/organisational resources (including setting of roles and responsibilities).
- Emergency response areas – command centres, medical stations, muster and evacuation points.
- Communication systems – both internal and external communications.
- Emergency response procedures – work area specific procedures (including area specific training).
- Checking and updating – prepare checklists (role and action list and equipment checklist) and undertake regular reviews of the plan.
- Business continuity and contingency – options and processes for business recovery from an emergency.

Hunan Westralian has provided copies of the *Emergency Response Plan for Explosive Storage Facility* and *the Emergency Response and Treatment Procedure for TSF Safety and Environment Accident*. Both of these documents provide emergency contact details but only general information in respect to the relevant emergency response process. No operational ERP that covers the entire Yuanling Gold Project has been sighted. SRK recommends that an operational ERP in line with Chinese National requirements and recognised international industry practices is developed and implemented for the Yuanling Gold Project.

8.16 Site Closure Planning and Rehabilitation

The Chinese National requirements for mine closure are covered under Article 21 of the *Mineral Resources Law (1996)*, the *Rules for Implementation of the Mineral Resources Law of the People's Republic of China (2006)*, the *Land Use Regulations of the People's Republic of China (1986.6.25)* and the *Land Rehabilitation Regulation issued by the State Council on October 21, 1988*. In summary these legislative requirements cover the need to conduct land rehabilitation, to prepare a site closure report and submit a site closure application for assessment and approval.

The recognised international industry practice for managing site closure is to develop and implement an operational site closure planning process and document this through an operational Closure Plan. This operational closure planning process should include the following components:

- Identify all site closure stakeholders (e.g. government, employees, community etc.).
- Undertake stakeholder consultation to develop agreed site closure criteria and post operational land use.
- Maintain records of stakeholder consultation.
- Establish a site rehabilitation objective in line with the agreed post operational land use.
- Describe/define the site closure liabilities (i.e. determined against agreed closure criteria).
- Establish site closure management strategies and cost estimates (i.e. to address/reduce site closure liabilities).
- Establish a cost estimate and financial accrual process for site closure.
- Describe the post site closure monitoring activities/program (i.e. to demonstrate compliance with the rehabilitation objective/closure criteria).

While the above site closure planning process is not specified within the Chinese National requirements for mine closure, the implementation of this process for a Chinese mining project will:

- Facilitate achieving compliance with these Chinese National legislative requirements; and
- Demonstrates conformance to a recognised international industry management practice.

No documented operational closure planning process in place for the Yunaling Gold Project that covers the above components has been sighted. SRK recommends that an operational closure planning process in line with Chinese National legislative requirements to be incorporated in the recognised international industry practices is developed and implemented for the Yunaling Gold Project.

8.17 Evaluation of Environmental Risks

The sources of inherent environmental risk are project activities that may result in potential environmental impacts. These project activities have been previously described within this report.
The most significant environmental risks for the Yuanling Gold Projects are:

- Water/wastewater management (i.e. surface water discharges and wastewater management).
- Tailings and waste rock management.
- Land disturbance, rehabilitation and site closure.
- Hazardous material management (mercury).
- Land contamination (historical and current).

The environmental risks associated with land disturbance, water, waste rock, tailings and hazardous material management, can be generally managed if Chinese National environmental standards and regulatory requirements are met.

SK notes that the potential for significant historical and current land contamination due to the use of mercury for ore processing/gold extraction represents the most significant potential environmental risks for the Yuanling Gold Project. The effective management of these environmental risks will require the adoption of recognised international industry practices for contaminated sites assessment and site closure planning.

9 Social Assessment

9.1 Social and Community Interaction

The Yuanling Gold Project is located in the Guanzhuang Town 82 km east of the Yuanling County, Hunan Province. The general surrounding land use mainly comprises agriculture with some mining/mineral processing. The general regional area is mainly populated with

Han Chinese. There are no documented significant cultural heritage sites, within or surrounding the project area.

No documented historical and/or current, community land access/compensation agreements required for the development of the Yuanling Gold Project have been sighted.

No documented public consultation process for the development of the Yuanling Gold Project has been sighted.

9.2 Relationship with Local Government

The main administrative bodies for the Yuanling Gold Project are the Hunan Provincial Government, Huaihua City and the Yuanling County. The operational regulation of the Yuanling Gold Project has mainly been delegated to the Yuanling County. Hunan Westralian Mining has stated that, in respect to the site's general operational management, the relationship with the local village and local county representatives is good. Hunan Westralian Mining further stated that there is a high level of local (village) employment within the project and that there is frequent liaison with villagers/county representatives on the site's environmental management. They also stated that no non-compliance notices and/or other documented regulatory directives in relation to the development and operation of the Yuanling Gold Project have been received from the Hunan Provincial Government, Huaihua City and/or the Yuanling County.

10 Operating and Capital Costs

10.1 Operating Cost

Hunan Westralian management stated that the main operations on the mine at this stage are exploration and development. For this reason the statistics on the operation cost may include part of capital cost and therefore the operation cost is relative high. The following figures are the costs that Westralia provided.

- Unit mining cost including hoisting to a mining level: RMB 58 Yuan per tonne ore
- Average unit mining cost including hoisting to the surface: RMB 116 Yuan per tonne ore
- Unit processing cost: RMB 60 Yuan per tonne ore
- Management and other: unknown at the moment

10.2 Capital Cost

Capital cost is not available to SRK for a review at this stage.

11 Recommendations

SRK makes the following recommendations in respect to various aspects for the Project.

Geology and Exploration
At present, SRK has basically understood the mineralization of Shattered and Altered Belts I and II in the superficial part, while no detailed data on the deep part (200-300m below the surface) is available. In reference with the mineralization of adjacent area (mining depth of Xiangxi Gold Mine is now up to several thousand meters) and in combination with comprehensive analysis on the characteristics of geological structures in the region, SRK believed that the exploration work in the mine site should extend towards deep part, but firstly the geology and structural conditions should be analysed to examine the thickness and distribution range of Segment 4# of Madiyi Formation where the ore is developed.

The deep parts of several shattered and altered belts within the mine site are unknown. If possible, Fractured and Altered Belts VI~VIII in the exploration area should be researched in depth and the drilling should be carried out at optimal location.

Mining
SRK believes that the combination of the 8 operations into the west and east operations will benefit the company by improving the productivity.

SRK believes that the mining method adopted is effective as it has been verified by years of practice.

SRK suggests covering the fill surface or using other method to prevent the mixing of high grade ore or fine ore with the fill.

It is essential to complete mine feasibility study and design for the proposed production expansion to 2000tpd.

Hunan Westralian is proposing to sink a vertical shaft in the west section for the future production expansion, while SRK suggests that the company should consider a global planning of shafts in the mine.

For Xianglu operation the company should consider the effective monitoring and management methods to prevent stealing of the high grade ore.

SRK suggests the company installing passenger cars in declines that are deeper than 90m.

In Shenjiaya operation, 10kV power line is connected with the substation underground, which can assure the voltage on the working face. However, as the tunnel section is small, risks do exist and SRK suggests an assessment on this power line risks.

Processing
The recoverable elements of ore are mainly gold and silver. Part of gold occurs as coarse grains. SRK recommends that amalgamation method and/or gravity method should be used to recover the coarse gold first, to prevent to loss of the coarse gold.

SRK believes that it is feasible to build a new processing plant at Zhengjiashan which is at the central part of the mine, but the capacity of the plant should be determined based on the resource basis and mining capacity. Further study should be conducted on the matter.

Amalgamation method currently used in the plant is a constraint method in China, because it may cause serious contamination to the environment. Gravity method is a better method to replace the amalgamation method. In the new plant, the gravity method should be employed.

The design for the improvement of Baomuyuan tailings pond does not consider the recycle of water, which may cause some safety issues and environmental contamination. More attention should be paid on the matter.

Environmental Compliance and Management
Project approvals and compliance – Document a detailed program of works schedule for the Yuanling Gold Project that includes:

- The Completion of the project expansion assessment and planning studies (i.e. feasibility study, EIA reports and WSCP's).
- Preparation and submission of the required project assessment and approval documentation.
- Anticipated timing for gaining the subsequent project approvals.

Environmental monitoring and management
Develop and implement an operational EPMP for the Yuanling Gold Project that is in line with Chinese National requirements and recognised international industry practices. This EPMP should include a site environmental monitoring program that covers the quality monitoring of the surface water resources within the project area (including upstream and downstream of the project area), and also any site water discharges (including tailings water).

Land disturbance
Develop and implement an annual process to survey and record the areas of project land disturbance and areas rehabilitated.

Dust management
Develop and implement a site dust management program that includes the dust collection for ore handling and the watering of stockpiles, roads and open areas on an as required basis.

Contaminated sites
Develop and implement a contaminated sites assessment and management process in line with recognised international industry practice.

Site closure planning and rehabilitation
Develop and implement an operational Rehabilitation and Closure Plans for the Yuanling Gold Project that is in line with Chinese National mine closure requirements and recognised international industry practices.

Greenhouse Gas emissions
Develop initiatives to quantify Greenhouse Gas emissions and assess possible emission reduction strategies.

Emergency response
Develop and implement an operational ERP for the Yuanling Gold Project that is in line with Chinese National requirements and recognised international industry practice.

Action Plan
Develop and implement a project action plan with a schedule for carrying out the above stated environmental management improvement measures for the Yuanling Gold Project, including cost estimates and budgeting.

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Glossary of Terms and Abbreviations

°	degrees
%	percent
φ	diameter
Ag	The chemical symbol for silver
AMMTEC	Australian Metallurgical & Mineral Testing Consultants Co., Ltd
ARD	acid rock drainage
ASL	above sea level
Au	The chemical symbol for gold
AusIMM	Australasian Institute of Mining and Metallurgy
C	Celsius
cm	centimetres
cm^3	cubic centimetre
c.o.g.	Cut-off grade, the minimum grade of a mineral in a deposit which is able to be mined and processed economically
Cu	The chemical symbol for copper
deposit	Earth material of any type, either consolidated or unconsolidated, that has accumulated by some natural process or agent.
E	east
EIA	Environmental Impact Assessment
EPB	Environmental Protection Bureau
EPMP	Environmental Protection Management and Monitoring Plan
ERP	Emergency Response Plan
g	grams
g/cm^3	grams per cubic centimetre
g/t	grams per tonne
Global Green or The Company	Global Green Tech Group Limited
h	hectare
HDPE	High Density Polyethylene
HKSE	Stock Exchange of Hong Kong Limited
Hunan Westralian	Hunan Westralian Mining Co., Ltd.
IER	Independent Expert Report
IFC	International Finance Corporation
IPO	Initial Public Offering
JORC Code	Joint Ore Reserves Committee Code
kg	kilogram, equivalent to 1,000 grams
km	kilometres, equivalent to 1,000 metres
km^2	square kilometres
kt	1,000 tonnes
kV	kilovolt
kVA	kilovolt-amps
kW	kilowatt
kWhr	kilowatt hour
l	litre
m	metres
m^2	square metres

m^3	cubic metres
m^3/a	cubic metres per annum
m^3/day	cubic metres per day
m^3/min	cubic metres per minute
m^3/sec	cubic metres per second
m^3/tonne	cubic metres per tonne
mg/m^3	milligrams per cubic metre
mm	millimetres
MLR	Ministry of Land and Resources of PRC
Mo	The chemical symbol for molybdenum
MPa	Megapascal (Mega Newton per square meter)
m/s	metres per second
Mt	million tonnes
Mtpa	million tonnes per annum
N	north
NE	northeast
NEE	northeast east
NNE	north northeast
NWW	northwest west
p.a.	per annum
Pb	The chemical symbol for lead
PRC	People's Republic of China
QA/QC	quality assurance/quality control
Report	Independent Expert Report
RMB	Renminbi, the legal currency of China, also known as
ROM	run of mine – meaning the ore as it leaves the mine, before any processing
S	south, also the chemical symbol for sulphur
SE	southeast
SRK	SRK Consulting China Ltd
SSW	south southwest
SW	southwest
t	tonne, equal to 1,000kg
tpa	tonnes per annum
t/d	tonnes per day
t/h	tonnes per hour
t/km	tonnes per kilometre
tph	tonnes per hour
t/m^3	tonnes per cubic metres
TSF	Tailings Storage Facility
USD	United States dollars
V	volt
Valmin Code	Code for the Technical Assessment and Valuation of Mineral and Metallurgy and the Australian Institute of Geoscientists. The standard is binding upon all AusIMM and AIG members. The Valmin Code incorporates the JORC Code for the reporting of Mineral Resources and/ore Reserves
W	west, also the chemical symbol for tungsten
WSCP	Water and Soil Conservation Plan
Yuanling Project	The Guanzhuang gold project owned by Hunan Westralian

Appendix 1: Resource and Reserve Standards

Categorisation of Mineral Resources and/ore Reserves

The system for the categorisation of mineral resources and/ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence – Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land and Resources (MLR) in 1999 uses three-dimensional matrices, based on economic, feasibility/mine design and geological degrees of confidence. These are categorised by a three number code of the form "123". The new system is derived from the UN Framework Classification proposed for international use. All new projects in China must comply with the new system, however, estimates and feasibility studies carried out before 1999 will have used the old system.

Wherever possible, the Chinese Resource and Reserve estimates have been reassigned by SRK to categories similar to those used by the JORC Code to standardise categorisation. Although similar terms have been used, SRK does not mean to imply that in their present format they are necessarily classified as 'Mineral Resources' as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources and/ore Reserves (the "JORC Code").

A broad comparison guide between the Chinese classification scheme and the JORC Code is presented in the following table.

JORC Code Resource Category	Chinese "Reserve" Category	
	Previous System	Current system
Measured	A, B	111, 111b, 121, 121b, 2M11, 2M21, 2S11, 2S21, 331
Indicated	C	122, 122b, 2M22, 2S22, 332
Inferred	D	333, 334

Relationship between JORC Code and the Chinese Reserves System

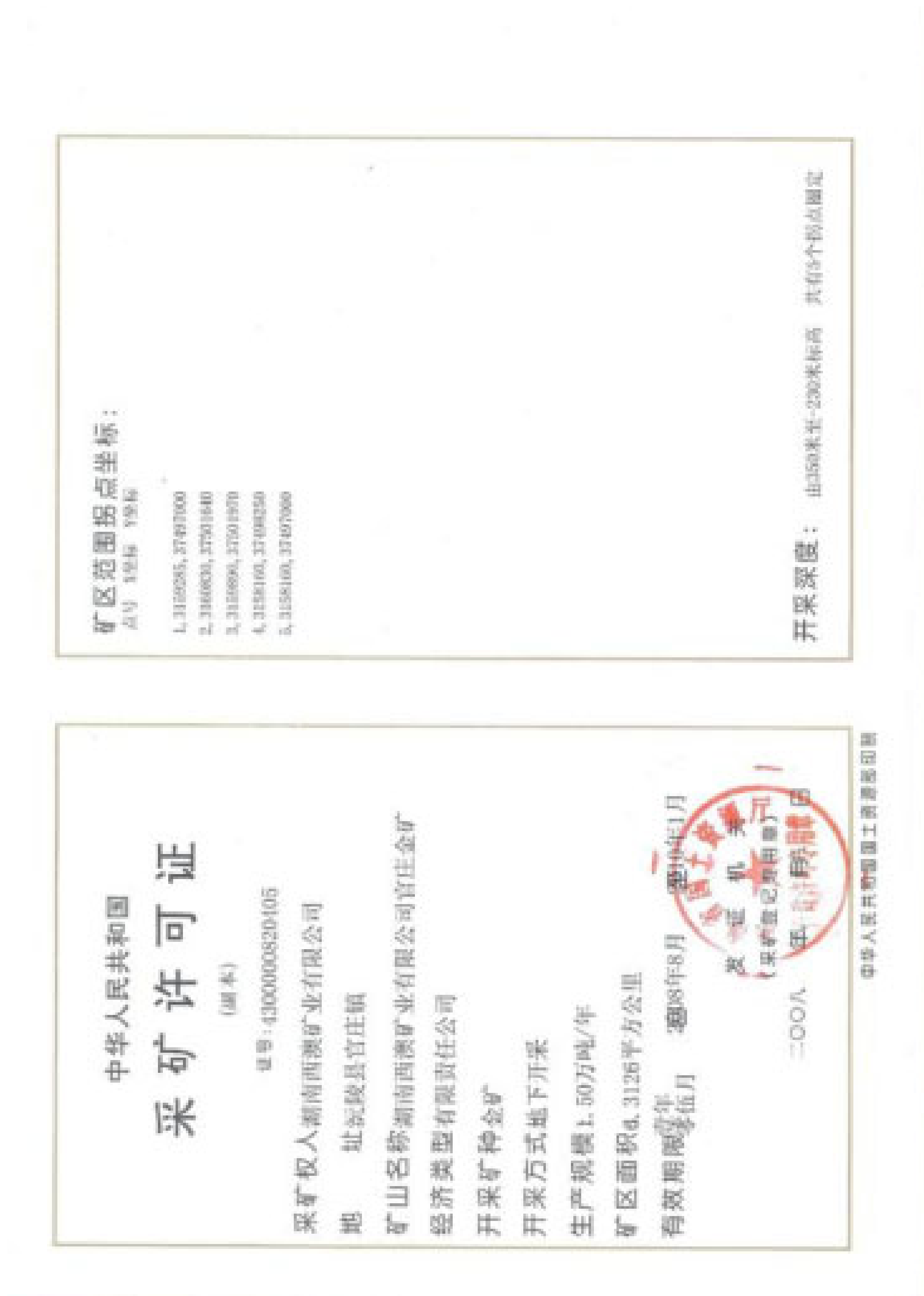
In China, the methods used to estimate resources and reserves are generally prescribed by the relevant government authority, and are based on the level of knowledge for that particular geological style of deposit. Parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralisation, maximum thickness of internal waste, and average minimum 'industrial' or 'economic' grades required. Resource classification categories are assigned largely on the basis of the spacing of sampling, trenching, underground tunnels and drill holes.

In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C and D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent "JORC Code type" category. The traditional Categories B, C and D are broadly equivalent to the 'Measured', 'Indicated', and 'Inferred' categories that are provided by the JORC Code and USBM/USGS systems used widely elsewhere in the world. In the JORC Code system the 'Measured Resource' category has the most confidence and the 'Inferred' category has the least confidence, based on increasing levels of geological knowledge and continuity of mineralisation.

Definition of the New Chinese Resource and Reserve Category Scheme

Category	Denoted	Comments
Economic	1	Full feasibility study considering economic factors has been conducted.
	2	Pre feasibility to scoping study which generally considers economic factors has been conducted.
	3	No pre feasibility or scoping study conducted to consider economic analysis.
Feasibility	1	Further analysis of data collected in "2" by an external technical department.
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping etc.
	3	Preliminary evaluation of feasibility with some mapping and trenches.
Geologically Controlled	1	Strong geological control.
	2	Moderate geological control via closely-spaced data points (e.g. small-scale mapping).
	3	Minor work projected throughout the area.
	4	Review stage.

Appendix 2: Mining and Exploration Licences



中华人民共和国

采矿许可证

(副本)

证号：4300000820405

采矿权人 湖南西澳矿业有限公司

地 址 沅陵县官庄镇

矿山名称 湖南西澳矿业有限公司官庄金矿

经济类型 有限责任公司

开采矿种 金矿

开采方式 地下开采

生产规模 1.50万吨/年

矿区面积 4.3126平方公里

有效期限

二OO八

矿区范围拐点坐标：

点号 X坐标 Y坐标

1, 3159285, 37497000
2, 3160830, 37501640
3, 3159890, 37501970
4, 3158160, 37498250
5, 3158160, 37497000

开采深度： 由350米至-230米标高 共有5个拐点圈定

Mining License of Yuanling Guanzhuang Gold Mine

Yuanling Guanzhuang Exploration Permit

Appendix 3: Chinese Environmental Legislative Background

The Chinese National *Mineral Resources Law (1996)*, *Rules for Implementation of the Mineral Resources Law of the People's Republic of China (2006)* and *Environmental Protection Law (1989)* provide the main legislative framework for the regulation and administration of mining projects within China. The *Environmental Protection Law (1989)* provides the main legislative framework for the regulation and administration of mining projects environmental impacts.

The following articles of the *Mineral Resources Law (1996)* summarise the specific provisions in relation to environmental protection:

Article 15 Qualification & Approval *– Anyone who wishes to establish a mining enterprise must meet the qualifications prescribed by the State, and the department in charge of examination and approval shall, in accordance with law and relevant State regulations examine the enterprise's mining area, its mining design or mining plan, production and technological conditions and safety and environmental protection measures. Only those that pass the examination shall be granted approval.*

Article 21 Closure Requirements *– If a mine is to be closed down, a report must be prepared with information about the mining operations, hidden dangers, land reclamation and utilisation, and environmental protection, and an application for examination and approval must be filed in accordance with relevant State regulations.*

Article 32 Environmental Protection Obligations of Mining License Holders *– In mining mineral resources, a mining enterprise or individual must observe the legal provisions on environmental protection to prevent pollution of the environment. In mining mineral resources, a mining enterprise or individual must economise on the use of land. In case cultivated land, grassland/or forest land is damaged due to mining, the mining enterprise concerned shall take measures to utilize the land affected, such as by reclamation, tree and grass planting, as appropriate to the local conditions. Anyone who, in mining mineral resources, causes losses to the production and well-being of other persons shall be liable for compensation and shall adopt necessary remedial measures.*

The following articles of the *Environmental Protection Law (1989)* summarise the specific provisions for environmental protection in relation to mining:

Article 13 Environmental Protection *– Units constructing projects that cause pollution to the environment must observe the state provisions concerning environmental protection for such construction projects. The environmental impact statement on a construction project must assess the pollution the project is likely to produce and its impact on the environment and stipulate the preventive and curative measures; the statement shall, after initial examination by the authorities in charge of the construction project, be submitted by specified procedure to the competent department of environmental protection administration for approval. The department of planning shall not ratify the design plan descriptions of the construction project until after the environmental impact statement on the construction project is approved.*

Article 19 Statement of Requirement for Environmental Protection *– Measures must be taken to protect the ecological environment while natural resources are being developed or utilised.*

Article 24 Responsibility for Environmental Protection *– Units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their* *plans and establish a responsibility system for environmental protection, and must adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.*

Article 26 Pollution Prevention & Control *– Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration that examined and approved the environmental impact statement.*

Article 27 Report on Pollution Discharge *– Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council.*

Article 38 Violation Consequences *– An enterprise or institution which violates this Law, thereby causing an environmental pollution accident, shall be fined by the competent department of environmental protection administration or another department invested by law with power to conduct environmental supervision and management in accordance with the consequent damage; in a serious case, the persons responsible shall be subject to administrative sanction by the unit to which they belong or by the competent department of the government.*

In addition to the above articles, the following article in the *Environmental Impact Assessment (EIA) Law (2002)* summarises the provisions in relation to the approval of EIA reports of construction projects and the commencement of construction:

Article 25 *– If the environmental impact assessment documents of construction projects are not examined by the law-stipulated examining and approving department or are not approved after being examined, the examining and approving department of the construction project must not approve its construction and the construction unit must not start construction.*

The following articles of the *Construction Project Environmental Protection Law (1998)* and *Regulations on the Administration of Construction Project Environmental Protection (November 1998)* summarise the specific provisions for undertaking a project's Final Checking and Acceptance process:

Article 20 *– The construction unit should, upon completion of a construction project, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project. Acceptance checks for completion of construction of environmental protection facilities should be conducted simultaneously with the acceptance checks for completion of construction of the main body project. Where trial production is required for the construction project, the construction unit should, within 3 months starting from the date of the said construction project going into trial production, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project.*

Article 21 *– For construction projects that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.*

Article 22 *– Competent departments of environmental protection administration should, within 30 days starting from the date of receipt of the application for acceptance checks on completion of construction of the environmental protection facilities, complete the acceptance checks.*

Article 23 *– The said construction project may only formally go into production or be delivered for use when the matching construction of the environmental protection facilities required for the construction project has passed acceptance checks.*

The following article of the *Water & Soil Conservation Law (1991)* summarises the provisions for the preparation and approval of Water and Soil Conservation Plans:

Article 19 *– When the construction of a railway, highway or a water project is carried out, a mining or electrical power enterprise or any other large or medium-sized industria1 facility; enterprise is established in a mountainous, hilly or sandstorm area, the environmental impact statement for the project must include a water and soil conservation programme approved by the department of water administration. The water and soil conservation programme shall be drawn up in accordance with the provisions of Article 18 of this Law. Where a township col1ective mining enterprise is to be set up or an individua1 is to apply for mining, in accordance with the provisions of the Law on Mineral Resources, in a mountainous, hilly or sandstorm area, a water and soil conservation programme approved by the department of water administration under the people's government at or above the county level must be submitted before the app1ication for going through the approving procedures for mining operation is made. Water and soil conservation facilities in a construction project must be designed, constructed and put into operation simultaneously with the principal part of the project. When a construction project is completed and checked for acceptance, the water and soi1 conservation facilities shal1 be checked for acceptance at the same time, with personnel from the department of water administration participating.*

The following are other Chinese laws that provide environmental legislative support to the *Minerals Resources Law (1996)* and the *Environmental Protection Law (1989)*:

Environmental Impact Assessment (EIA) Law (2002).
Law on Prevention & Control of Atmospheric Pollution (2000).
Law on Prevention & Control of Noise Pollution (1996).
Law on Prevention & Control of Water Pollution (1996).
Law on Prevention & Control Environmental Pollution by Solid Waste (2002).
Forestry Law (1998.
Water Law (1988.
Water Conservancy Industrial Policy (1997).
Land Administration Law (1999).
Protection of Wildlife Law (1989).
Energy Conservation Law (1998).
Electric Power Law (1995).
Management Regulations of Prevention & Cure of Tailings Pollution (1992).
Management Regulations of Dangerous Chemical Materials (1987).

The relevant environmental protection related Chinese legislation that are required to be utilised for project's design are a combination of the following National design regulations and emissions standards:

Environment Protection Design Regulations of Construction Project (No.002) by Environment Protection Committee of State Council of PRC (1987).
Regulations on the Administration of Construction Project Environmental Protection (1998).
Regulations for Quality Control of Construction Projects (2000).

Regulations for Environmental Monitoring (1983).
Regulations on Nature Reserves (1994).
Regulations on Administration of Chemicals Subject to Supervision & Control (1995).
Regulations on Management of Chemicals Subject to Supervision & Control (1995).
Environment Protection Design Regulations of Metallurgical Industry (YB9066-55).
Comprehensive Emission Standard of Wastewater (GB8978-1996).
Environmental Quality Standard for Surface Water (GB3838-1988).
Environmental Quality Standard for Groundwater (GB/T14848-1993).
Ambient Air Quality Standard (GB3095-1996).
Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-1996).
Emission Standard of Atmospheric Pollutants from Industrial Kiln (GB9078-1996).
Emission Standard of Atmospheric Pollutants from Boiler (GB13271-2001) ---- II – stage coal-fired boiler.
Environmental Quality Standard for Soils (GB15618-1995).
Standard of Boundary Noise of Industrial Enterprise (GB12348-90).
Emissions Standard for Pollution from Heavy Industry; Non-Ferrous Metals (GB4913-1985).
Control Standard on PCB's for Wastes (GB13015-1991).
Control Standard on Cyanide for Waste Slugs (GB12502-1990).
Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001).
Identification Standard for Hazardous Wastes-Identification for Extraction Procedure Toxicity (GB5085.3-1996).Standard of Landfill and Pollution Control of Hazardous Waste (GB 18598-2001).

Appendix 4: World Bank/International Finance Corporation (IFC) Environmental Standards and Guidelines

In seeking to obtain project financing or to list on a stock exchange, these institutions themselves require the proponent to comply with such documents as the Equator Principles and the IFC Performance Standards and Guidelines. This is exemplified by the following preamble from the *Equator Principles (July 2006)*:

Project financing, a method of funding in which the lender looks primarily to the revenues generated by a single project both as the source of repayment and as security for the exposure, plays an important role in financing development throughout the world. Project financiers may encounter social and environmental issues that are both complex and challenging, particularly with respect to projects in the emerging markets.

The Equator Principles Financial Institutions (EPFIs) have consequently adopted these Principles in order to ensure that the projects we finance are developed in a manner that is socially responsible and reflect sound environmental management practices. By doing so, negative impacts on project-affected ecosystems and communities should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately. We believe that adoption of and adherence to these Principles offers significant benefits to ourselves, our borrowers and local stakeholders through our borrowers' engagement with locally affected communities. We therefore recognise that our role as financiers affords us opportunities to promote responsible environmental stewardship and socially responsible development. As such, EPFIs will consider reviewing these Principles from time-to-time based on implementation experience, and in order to reflect ongoing learning and emerging good practice.

These Principles are intended to serve as a common baseline and framework for the implementation by each EPFI of its own internal social and environmental policies, procedures and standards related to its project financing activities. We will not provide loans to projects where the borrower will not or is unable to comply with our respective social and environmental policies and procedures that implement the Equator Principles.

The following Tables provide a brief summary of the Equator Principles and the IFC Performance Standards respectively. These documents are used by the EPFI's and stock exchanges in their review of the social and environmental performance of proponent companies.

Table A4-1: Equator Principles

Equator Principles	Title	Key Aspects (Summary)
1	Review and Categorisation	Categorise such project based on the magnitude of its potential impacts and risks
2	Social and Environmental Assessment	Conduct a Social and Environmental Assessment (揸ssessment? . The Assessment should also propose mitigation and management measures appropriate to the nature and scale of the proposed project.
3	Applicable Social and Environmental Standards	The Assessment will refer to the applicable IFC Performance Standards, and applicable Industry Specific EHS Guidelines (揈HS Guidelines? and overall compliance with same.
4	Action Plan and Management System	Prepare an Action Plan (AP) which addresses the relevant findings of the Assessment. The AP will describe and prioritise the actions, mitigation measures, corrective actions and monitoring to manage the impacts and risks identified in the Assessment. Maintain a Social and Environmental Management System that addresses the management of these impacts, risks, and corrective actions required to comply with host country laws and regulations, and requirements of the applicable Standards and Guidelines, as defined in the AP.
5	Consultation and Disclosure	Consult with project affected communities. Adequately incorporate affected communities?concerns.
6	Grievance Mechanism	Establish a grievance mechanism as part of the management system. to receive and resolve concerns about the project by individuals or groups from among project-affected communities. Inform the affected communities about the grievance mechanism in the course of the community engagement process and ensure that the mechanism addresses concerns promptly and transparently, and is readily accessible to all segments of the affected communities.
7	Independent Review	Independent social or environmental expert will review the Assessment, AP and consultation process to assess Equator Principles compliance.
8	Covenants	Covenant in financing documentation: a) to comply with all relevant host country social and environmental laws, regulations and permits; b) to comply with the AP during the construction and operation of the project; c) to provide periodic reports not less than annually, prepared by in-house staff or third party experts, that (i) document compliance with the AP, and (ii) provide compliance with relevant local, state and host country social and environmental laws, regulations and permits; and d) to decommission the facilities, where applicable and appropriate, in accordance with an agreed decommissioning plan.
9	Independent Monitoring and Reporting	Appoint an independent environmental and/or social expert, or require that the borrower retain qualified and experienced external experts to verify its monitoring information.
10	EPFI Reporting	Each EPFI adopting the Equator Principles commits to report publicly at least annually about its Equator Principles implementation processes and experience, taking into account appropriate confidentiality considerations.

Table A4-2: IFC Performance Standards

IFC Performance Standard	Title	Objective (Summary)	Key Aspects (Summary)
1	Social and Environmental Assessment and Management Systems	Social and EIA and improved performance through use of management systems.	Social & Environmental Management System (S&EMS). Social & Environmental Impact Assessment (S&EIA). Risks and impacts. Management Plans. Monitoring. Reporting. Training. Community Consultation
2	Labour and Working Conditions	EEO. Safety and Health	Implement through the S&EMS. HR policy. Working condition. EEO. Forced & child labour. OH&S.
3	Pollution Prevention and Abatement	Avoid pollution. Reduce Emissions.	Prevent pollution. Conserve resources. Energy efficiency. Reduce waste. Hazardous materials. EPR. Greenhouse Gases
4	Community Health, Safety and Security	Avoid or minimise risks to community.	Implement through the S&EMS. Do risk assessment. Hazardous materials safety. Community exposure. ERP
5	Land Acquisition and Involuntary Resettlement	Avoid or minimise resettlement. Mitigate adverse social impacts	Implement through the S&EMS. Consultation. Compensation. Resettlement planning. Economic displacement
6	Biodiversity Conservation and Sustainable Natural Resource Management	Protect and conserve biodiversity	Implement through the S&EMS. Assessment. Habitat. Protected areas. Invasive species.
7	Indigenous Peoples	Respect. Avoid and minimise impacts. Foster good faith	Avoid adverse impacts. Consultation. Development benefits. Impacts to traditional land use. Relocation.
8	Cultural Heritage	Protect cultural heritage	Heritage Survey. Site avoidances. Consultation.

The following is the 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 as at 30 November 2009 of the market value of a 100% interest in Yuanling Gold Project in Hunan Province, the People's Republic of China, to be acquired by Global Green Tech Group Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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1 February 2010

The Directors
Global Green Tech Group Limited
Rooms 3401-08, 34th Floor
Office Tower, Convention Plaza
No.1 Harbour Road
Wanchai, 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 a 100% interest in Yuanling Gold Project (referred to as the "Gold Mine Asset") in Hunan Province, the People's Republic of China (referred to as "the PRC") as at 30 November 2009 (referred to the "date of valuation").

This report describes the background of the Gold Mine Asset, an industry overview, the basis of valuation and valuation assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

BASIS OF VALUATION

We have conducted our valuation in accordance with the Business Valuation Standards published by the Hong Kong Business Valuation Forum in 2005. 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".

DATE OF VALUATION

We have been instructed by the Company to value a 100% interest in the Gold Mine Asset as at the date of valuation on 30 November 2009. The date of valuation is the specific point of time as of which our opinion of value applies. As markets and market conditions may change, the estimated value may be inaccurate or inappropriate at another time. The valuation amount will reflect the actual market status and circumstances as at the date of valuation, not as at either a past or future date.

BACKGROUND OF THE GOLD MINE ASSET

The mining license (referred to as the "Mining License") of the Gold Mine Asset covering eight mines is currently owned by Hunan Westralian Mining Co., Ltd. (湖南西澳礦業有限公司). The summary of the Mining License is as follows:

License No. 4300000820405

Owner	:	Hunan Westralian Mining Company Limited
Mine Name	:	Fuanzhuang Gold Mine
Location	:	Guanzhuang Township, Yuanling Country, Hunan Province
Enterprise Type	:	Limited company
Mineral Species	:	Gold
Mining Method	:	Underground mine
Production Capacity	:	15,000 tonnes per annum (tpa) of ore
Mine Area	:	6.3126 km^2
Valid Period	:	August 2008 to January 2010
Issue Date	:	8 August 2008
Elevation Limit	:	350 to -230m ASL in an area defined by five points

The eight mines covered under the Mining License are divided into the east section (Zhengjiangshan mine, Xianglu mine, Jinzhuwan mine and Kiufa mine) and west section (Shenjia ya mine, Xiaochongzi mine, Baomuyuan mine and Desheng mine). Currently all the underground tunnels in the west section have been completed and the 4 mines are internally connected, while the reconstruction in the east section is still in process. The mining production has not commenced in Jinzhuwan mine and Jiufa mine as the ventilation system is yet to be completed, and the Xianglu mine is not in operation either because of the safety issue or due to its ultra-high grade. The cutting and filling method is implemented. At present, the level is developed into -240m elevation and the ore throughput is 500 tonnes per day.

According to the Technical Assessment of Yuanling Gold Project, Hunan Province, The PRC (referred to as the "Technical Report") issued by SRK Consulting China Limited (referred to as the "Technical Consultant") which was prepared based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (referred to as the "JORC"), the remaining resources of the Gold Mine Asset as at 1 July 2009 are as follows:

Description	**Million Tonnes**	**Average Grade** *(g/t)*	**Contained Gold** *(tonne)*
Indicated Resources	0.217	13.36	2.9
Total Inferred Resources	5.5	10.73	59
Inferred (mined)	–2.563	10.73	–27.5
Inferred Remaining	2.937	10.73	31.5
Total Resources:	3.154	10.91	34.4

INDUSTRY OVERVIEW

The two most common uses of gold are in the fabrication of jewellery and monetary exchange and its demand can be divided into two categories: fabrication and investment.

Fabrication demand comprises demand from jewelry, production of electronics, dental products and gold used for other industrial and decorative applications. According to GFMS, the worldwide precious metals consultancy, approximately 70% of the global identifiable gold demand for gold in 2008 was fabrication demand.

Investment demand comprises demand for coins and bullion. Demand for physical gold has largely been driven by net incremental gold stocks held in support of derivative transactions and exchange-traded funds (''ETFs''). Investment demand is a function of the current and anticipated value of gold relative to other investments, such as cash, fixed interest securities, equities and properties, resulting largely from monetary policy considerations and expectations regarding future gold prices. According to GFMS, approximately 30% of the global identifiable gold demand for gold in 2008 was from identifiable investment in gold (excluding "inferred investment").

Total identifiable demand during 2008 was up around 4% on the levels of the previous year, amounting to 3,658.6 tonnes. The annual supply of gold comes from mine production, recycled gold scraps and net sales of gold by central banks, which amounts to 3,468 tonnes, of which around 2,486 tonnes of the total supply came from mine production.

Details of gold demand and supply are shown as below:

	2006	**2007**	**2008**	**% change 2008 VS 2007**
Supply				
Mine production	2,486	2,473	2,407	–3
Net producer hedging	–410	–447	–363	N/A
Total Mine Supply	2,076	2,026	2,044	1
Official Sector Sales	370	485	279	–42
Old Gold Scrap	1,129	977	1,146	17
Total Supply:	3,574	3,488	3,468	–1

(Continued)

Demand				
Jewellery Consumption	2,285	2,401	2,138	–11
Industrial & Dental	459	461	430	–7
Identifiable Investment	665	664	1091	64
Net retail investment	405	410	769	87
ETF & similar products	260	253	321	27
Total Demand:	3,409	3,526	3,659	4

Source: World Gold Council

The closing gold price in U.S. dollars between the period from 30 November 2000 to 30 November 2009 are shown in the graph below:

Source: Bloomberg

International financial services company Morgan Stanley announced on 21 January 2009 that it now sees gold prices at US$900 per ounce in 2009 on average (up from US$750) and US$1,000 per ounce in 2010 on average (up from US$825). The company justified its decision by claiming that safe-haven demand for the yellow metal is on the rise as investors look for a store of wealth as turmoil in the financial markets continues. Global investment bank Goldman Sachs forecasted in February 2009 that gold prices will zoom to US$1,000 per ounce in 2009. Meanwhile, UBS also lifted its 2009 average gold price forecast to US$1,000 an ounce from a previous price view of US$700, citing expected strong safe-haven demand. An upward pressure on gold prices is anticipated as its production is slated to fall further this year. The precious metal is currently benefiting from the global turbulence and the fact that investors have reposed their faith in the yellow metal as against other supposedly safe assets.

In the past 10 years, the output of the PRC's gold rose by 70%. The gold output of the PRC broke the record and reached a peak of 276 tonnes in 2007 which made the PRC the biggest country of gold origin and ended up the time of more than one century when South Africa acted as a leader in gold mining industry (in 2007, the output of South Africa was 272 tonnes). According to China Gold Association (CGA), the PRC's gold output grew 4.26% year-on-year to approximately 282 tonnes in 2008, of which 46.4% of the total gold output was produced from the provinces of Shandong, Jiangxi and Henan. The CGA also reported that trading volume reached RMB868.39 billion (US$126.96 billion) on the Shanghai Gold Exchange in 2008, up 174.84% from 2007.

The PRC's annual increase in consumer demand of gold was around 68.9 tonnes, which exceeded that of any other countries, reaching 395.6 tonnes in 2008. Investment demand was the main contributor to the strong growth, although jewellery demand showed considerable resilience to the worsening in economic conditions. Details of consumer demand of gold in the PRC are shown as below:

2007			2008			% change 2008 vs 2007		
Jewellery	**Net retail invest.**	**Total**	**Jewellery**	**Net retail invest.**	**Total**	**Jewellery**	**Net retail invest.**	**Total**
302.2	25.6	327.8	326.7	68.9	395.6	8	169	21

Source: World Gold Council

For the rising demand of gold, the gold price in the PRC market has risen by 150% during the past 10 years. Although Chinese has enhanced the understanding of investment on gold, it still has a large gap between the PRC and the world. Till now, the average amount of owning gold is only 4g in the PRC while the world's average is about 25g. There is huge space for gold market to develop in the PRC.

SOURCE OF INFORMATION

For the purpose of our valuation, we were furnished with the financial and operational information of the Gold Mine Asset and the Technical Report, which were provided by the senior management of the Company.

The valuation required consideration of all pertinent factors affecting the economic benefits of the Gold Mine Asset 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 and characteristics of the Gold Mine Asset including operational activities, the overall industry and the market condition where Gold Mine Asset is currently exposed to or will be exposed to;
- The financial and operational information of the Gold Mine Asset;
- The specific economic environment and competition for the market in which the Gold Mine Asset is currently exposed to or will be exposed to;
- Market-derived investment returns of entities engaged in similar lines of business;
- The Technical Report issued by the Technical Consultant; and
- The financial and business risks related to the Gold Mine Asset, including the continuity of revenues and incomes and the projected future results.

Our opinion on the market value of the Gold Mine Asset is chiefly based on the mineral results provided by the Technical Consultant. We are satisfied with the qualification of the Technical Consultant and the Technical Report but we need to state that we are not in the natural resources evaluation profession, therefore, no responsibility is assumed on the aspect of the accuracy of the information provided by the Technical Consultant.

SCOPE OF WORKS

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

- Interviewed with the senior management of the Company and the Technical Consultant;
- Obtained all relevant financial and operational information of the Gold Mine Asset;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant basis and assumptions of both the financial and operational information of the Gold Mine Asset, which were provided by the senior management of the Company;
- Prepared a valuation model to derive the indicated value of a 100% interest in the Gold Mine Asset; and
- Presented all relevant information on the background of the Gold Mine Asset, an industry overview, source of information, scope of works, valuation assumptions, valuation methodology, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Due to the changing environment in which the Gold Mine Asset is currently exposed to or will be exposed to, a number of assumptions had to be established in order to sufficiently support our concluded value. The major assumptions adopted in our valuation are:

- There will be no material change in the existing political, legal, fiscal, technological, market and economic conditions in the jurisdiction where the Gold Mine Asset is currently exposed to or will be exposed to, which will affect the revenues and incomes being generated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where the Gold Mine Asset is currently exposed to or will be exposed to, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing and market and economic conditions will not deviate significantly from that of forecasts;

- Economic conditions will not deviate significantly from economic forecasts;
- Only the values of gold is considered in our valuation;
- All relevant legal licenses, rights and permissions for the operation of the Gold Mine Asset have been will be obtained and they will be renewed automatically with minimal costs;
- The core business operations of the Gold Mine Asset will not differ materially from those of present or expected; and
- The financial and operational information in respect of the Gold Mine Asset 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.

VALUATION METHODOLOGY

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

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 operational capability of the business.

Under the cost approach, the historic cost approach measures the costs incurred through the construction or development of the business at the time it was constructed or developed; the replication cost approach measures the amount of investment needed to develop a similar business at the present time; and the replacement cost approach measures the amount of money that would be needed to construct or develop the business as it currently exists.

The *market approach* provides indications of value by comparing the target subjected to valuation to similar businesses, business ownership interests and securities that have been sold in the market, with appropriate adjustments for the differences between the target subjected to valuation and the comparable companies.

Under the market approach, the guideline company method computes a value multiple for each publicly listed comparable company and then applies the result to a base to arrive at an indication of value. The sales comparison method computes the value multiple using recent sales and purchase transactions of comparable companies to arrive at an indication of value.

The *income approach* is the conversion of expected periodic benefits of an 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 company with a similar risk profile.

Among the three approaches, the cost approach was regarded not appropriate in the valuation, as it only considers the costs of recreating the Gold Mine Asset and the costs may not represent the market value. The income approach was also considered inadequate in the valuation, as a lot of assumptions would have to be made (e.g. annual revenue, operating expenses) and any inappropriate assumption would greatly affect the accuracy of the valuation. The market approach was considered to be the most appropriate valuation approach in this valuation as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

Under the market approach, the guideline company method was adopted in the valuation. The market value of the Gold Mine Asset was determined with reference to the financial and operational information of publicly listed companies (referred to as the "Comparable Companies") that are considered to be comparable to Gold Mine Asset.

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as projected sales growth rate, profit margin, required resources investment, overall perceived risk and uncertainties that guided the market in reaching the expected returns and risks. The Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	Zhaojin Mining Industry Company Limited (招金礦業股份有限公司)
Bloomberg Ticker	:	1818 HK
Core Businesses	:	The company is engaged in exploration, mining, ore processing, smelting and sale of gold and other metallic products, being an integrated mining company specialising in the production of gold.

Comparable Company 2

Name of Company	:	Sino Gold Mining Limited (澳華黃金有限公司)
Bloomberg Ticker	:	1862 HK
Core Businesses	:	The company is an Australia-based company. The principal activities of the company are mining and processing of gold ore, and sale of recovered gold, and exploration and development of mining properties.

Comparable Company 3

Name of Company	:	Real Gold Mining Limited (瑞金礦業有限公司)
Bloomberg Ticker	:	246 HK
Core Businesses	:	The company is an investment holding company engaged in the production and sale of gold concentrates. The company specializes in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale.

For our valuation, we adopted the enterprise value (EV) to sales (referred to as the "EV/Sales") multiple in assessing the market value of the Gold Mine Asset. Enterprise value was calculated using the following formula:

Enterprise value = Market Cap + PE + MI + ST Debt + LT Debt – Cash

Where:

Market Cap	=	market capitalization
PE	=	preferred equity
MI	=	minority interest
ST Debt	=	short-term debt
LT Debt	=	long-term debt
Cash	=	cash and cash equivalents

The EV/Sales multiples of the Comparable Companies are as follows:

Name of Company	**Currency**	**EV** *(million)*	**Sales** *(million)*	**EV/Sales Multiple**
Zhaojin Mining Industry Company Limited	RMB	19,237	2,569	7.49
Sino Gold Mining Limited	AUD	2,384	277	8.6
Real Gold Mining Limited	RMB	7,888	995	7.93
Mean of the EV/Sales Multiples:				8.01

To determine the market value of the Gold Mine Asset, the mean of the EV/Sales multiples of the Comparable Companies of 8.01 was multiplied by the projected sales in the Gold Mine Asset to determine the enterprise value of the Gold Mine Asset.

The calculated enterprise value of the Gold Mine Asset was then adjusted by subtracting the total debt, the preferred equity, the minority interest, projected capital expenditures and adding back the cash and the cash equivalents. The result was then further adjusted by the lack of marketability discount to derive the market value of the Gold Mine Asset.

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. 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 discount for lack of marketability 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.

As the Gold Mine Asset is unlikely to undergo public offering and shares of the Gold Mine Asset is unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, a discount for lack of marketability of 30% (with reference to EVCA Valuation Guidelines, March 2001, issued by European Private Equity & Venture Capital Association (EVCA), which is widely accepted in the market.) has been adopted in determining the market value of the Gold Mine Asset.

Control is the right to direct the strategies and activities of a firm, including the right to allocate resources and distribute the economic products. There is a tendency to regard the premium offered to pre-bid trading in a takeover as the value of the control right. As our valuation was carried out based on the market prices of publicly traded companies, in which producing a minority level value, and thus a control premium of 30% was adopted to reflect the value of the control right (with reference to FactSet Mergerstat LLC, Mergerstat Review).

COMMENTS

For the purpose of our valuation and in arriving at our opinion of value, we referred to the information provided by the senior management of the Company. We have also sought and received confirmation from the Company that no material facts were 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 herein 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, the Gold Mine Asset, the Technical Consultant or us.

Based on our investigation and analysis outlined in this report, our opinion on the market value of the 100% interest in the Gold Mine Asset as at 30 November 2009 was **HK$1,600,000,000 (HONG KONG DOLLARS ONE THOUSAND AND SIX HUNDRED MILLION ONLY**).

We hereby certify that we have neither present nor prospective interest in the Company, the Gold Mine Asset, the Technical Consultant or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ)
FCIM, FRSM, SICME, SIFM, MHKIS, MCIArb,
AFA, MASCE, MIET, MIEEE, MASME, MIIE,
MASHRAE, MAIC
Managing Director

Note:

Dr. Tony C. H. Cheng serves as the Chairman of Institute of Mechanical Engineers, China and 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 over 5 years' experience in valuing similar assets or companies engaged in similar business activities as those of the Gold Mine Asset worldwide.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 November 2009 of the properties held or leased by the Enlarged Group.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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1 February 2010

The Directors
Global Green Tech Group Limited
Room 3401-08, 34th Floor
Office Tower, Convention Plaza
No. 1 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to your instructions for us to value the properties held or leased by Global Green Tech Group Limited (the "Company") and/or its subsidiaries (hereinafter referred to as the "Group") and the properties leased by Hunan Westralian Mining Co., Ltd. (the "Target Company") and/or its subsidiaries (hereinafter referred to as the "Target Group") (the Group and the Target Group together referred to as the "Enlarged Group") located in Hong Kong and the People's Republic of China (the "PRC"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 November 2009 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as "the estimated amount for which a property 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".

PROPERTY CATEGORISATIONS

In the course of our valuations, the valued properties are categorised into the following groups:

Group I	–	Properties partly held for owner-occupation and partly held for investment by the Group in the PRC
Group II	–	Properties leased by the Group in Hong Kong
Group III	–	Properties leased by the Target Group in the PRC

VALUATION METHODOLOGIES

In valuing the properties in Group I, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors etc.; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement". This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value does not necessarily represent the amount that might be realized from the disposition of the subject asset in the open market and is subject to adequate profitability of the business compared to the value of the total assets employed. Where appropriate, we have also adopted the Investment Approach by taking into account the net rental incomes with due allowance for reversionary potential values of the respective properties.

We have attributed no commercial value to the properties in Group II and Group III which are leased by the Enlarged Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

TITLE INVESTIGATION

We have been provided with copies of title documents/tenancy information and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal advisor – Guangdong Guoyue Law Firm (廣東國悦律師事務所) regarding the titles of the properties located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have inspected the properties externally and where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, completion dates of the buildings, identification of the properties and other relevant information.

Except otherwise stated, dimensions, measurements and site/floor areas included in the valuation certificates are based on information contained in the leases and other documents provided to us and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Enlarged Group and we have relied on your advice that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

We hereby certify that we neither have any present nor any prospective interest in the Enlarged Group or the appraised properties or the values reported.

Unless otherwise stated, all monetary amounts stated herein are in Hong Kong Dollars (HK$). The exchange rate adopted is the average rate as at the date of valuation being HK$1 = Renminbi (RMB) 0.88091. There has been no significant fluctuation in the exchange rate between that date and the date of this report.

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

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

Joannau W. F. Chan
BSc, MSc, MRICS, MHKIS, RPS(GP)
Senior Director

Notes:

Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 17 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 17 years' experience in valuations of properties in Hong Kong and over 11 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

Group I – Properties partly held for owner-occupation and partly held for investment by the Group in the PRC

No.	Property	Market Value in existing state as at 30 November 2009 *HK$*	Interest attributable to the Group	Value attributable to the Group as at 30 November 2009 *HK$*
1.	A land parcel, various buildings and structures located at Tang Li Road, Tutang District, Changping Town, Dongguan City, Guangdong Province, The PRC	102,000,000	100%	102,000,000
2.	3 land parcels, various buildings and structures located at Global Road, Tutang Village, Changping Town, Dongguan City, Guangdong Province, The PRC	293,000,000	93.2%	273,076,000
	Sub-total:	395,000,000		375,076,000

Group II – Properties leased by the Group in Hong Kong

No.	Property	Market Value in existing state as at 30 November 2009 *HK$*
3.	Shop Nos. 1013-1014 on 1st Floor, United Centre, No. 95 Queensway, Hong Kong	No Commercial Value
4.	Unit 902 on Level 9, New Town Tower, Nos. 8-18 Pak Hok Ting Street, Shatin, New Territories, Hong Kong	No Commercial Value
5.	Units 903-904 on Level 9, New Town Tower, Nos. 8-18 Pak Hok Ting Street, Shatin, New Territories, Hong Kong	No Commercial Value
6.	Unit 807 on 8th Floor, Miramar Tower, No. 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong	No Commercial Value
7.	Units 1901-1903 on 19th Floor, Soundwill Plaza, No. 38 Russell Street, Causeway Bay, Hong Kong	No Commercial Value
8.	19th Floor, Euro Trade Centre, Nos. 13-14 Connaught Road Central & Nos. 21-23 Des Voeux Road Central, Hong Kong	No Commercial Value

No.	Property	Market Value in existing state as at 30 November 2009 *HK$*
9.	Unit No. A on 34th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	No Commercial Value
10.	Unit Nos. B, C, D and E on 34th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	No Commercial Value
	Sub-total:	**Nil**
	Total (Groups I to II):	**395,000,000**

Group III – Properties leased by the Target Group in the PRC

No.	Property	Market Value in existing state as at 30 November 2009 *HK$*
11.	Room 301, Unit 3, Building No. 1, Jin Shan Home Community, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	No Commercial Value
12.	A residential unit on Level 4 of a building opposite to Chenzhou Modern City, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	No Commercial Value

No.	Property	Market Value in existing state as at 30 November 2009 *HK$*
13.	Room 402, Guanzhuang New Town, Yuanling County, Huaihua City, Hunan Province, The PRC	No Commercial Value
14.	Room 403, Xiong Jin Furniture Shop, Jinshan Road, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	No Commercial Value
15.	Two classrooms in a former school located at Mu Zhuo Pu Village, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	No Commercial Value
16.	A former rest home located at Sandushui Village, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	No Commercial Value
17.	A house located at the side of 319 National Highway of Sandushui Village, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	No Commercial Value
	Sub-total:	**Nil**
	Total (Group III):	**Nil**

VALUATION CERTIFICATE

Group I – Properties partly held for owner-occupation and partly held for investment by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
1.	A land parcel, various buildings and structures located at Tang Li Road, Tutang District, Changping Town, Dongguan City, Guangdong Province, The PRC	The property comprises a land parcel with a site area of approximately 71,785 sq.m. (or about 772,693.74 sq.ft.) and 12 buildings and various ancillary structures completed in various stages between 1995 and 2003 erected thereon. The total gross floor area ("GFA") of the buildings is approximately 51,293.69 sq.m. (or about 552,125 sq.ft.). The buildings mainly include warehouses, factories and dormitories and the structures mainly include roads, walls and a gate. The land use rights of the property have been granted for a term of 50 years expiring on 1 July 2046 for industrial use.	The property is partly occupied by the Group for industrial purposes and partly leased to a third party for industrial purposes on a monthly basis at a monthly rent of HK$140,000 including annual management fee payable to the local government.	102,000,000 (100% interest attributable to the Group: HK$102,000,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Dong Fu Guo Yung (1996) Zi Di No. Te 238, issued by the People's Government of Guangdong Province dated 25 July 1996, the land use rights of a land parcel with a site area of about 71,785 sq.m. have been granted to Dongguan Proamine Chemical Company Limited ("Dongguan Proamine") for a term of 50 years expiring on 1 July 2046 for industrial use.

2. Pursuant to 6 Real Estate Title Certificates issued by the People's Government of Guangdong Province, 6 buildings with a total GFA of approximately 37,607.69 sq.m. are legally owned by Dongguan Proamine for factory and dormitory purposes. The details of which are summarized in the table below:

No.	Certificate No.	Issue Date	Year of Completion	Building	No. of Storeys	GFA (sq.m.)
1.	No. 0540991	10 January 1997	1995	Dormitory B	4	3,103.05
2.	No. 0540992	10 January 1997	1995	Dormitory C	4	3,103.05
3.	No. 0540993	10 January 1997	1995	Dormitory A	4	3,103.05
4.	No. 0540994	10 January 1997	1995	Factory B	4	10,486.42
5.	No. 0540995	9 January 1997	1995	Factory A	4	8,387.84
6.	No. C2401830	17 December 2003	2003	Factory C	4	9,424.28
					Total:	37,607.69

3. For the remaining 6 buildings with a total GFA of approximately 13,686 sq.m., we have not been provided with any title certificates.

4. In the valuation of this property, we cannot attribute any commercial value to the buildings stated in Note 3 due to absence of title documents. However, for your reference purposes, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB22,000,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred. The details of the 6 buildings are summarized in the table below:

No.	Building	Year of Completion (around)	No. of Storeys	GFA (sq.m.)
1.	Office Building	1997	2	1,120
2.	Factory	2004	3	8,022
3.	Warehouse (No. 5)	2007	1	2,160
4.	Warehouse (No. 6)	2007	1	744
5.	Oil Reactor	2007	1	1,340
6.	Control Building	2007	2	300
			Total:	13,686

5. As advised by the Group, the whole of Factory B with a GFA of approximately 10,486.42 sq.m., a portion of Dormitory B with a GFA of approximately 1,925.53 sq.m. and the whole of Dormitory C with a GFA of approximately 3,103.05 sq.m. were let to Zhongtian Shidai Electronics (Dongguan) Limited (中天時代電子(東莞)有限公司), an independent third party, on monthly basis at a monthly rent of HK$140,000 including annual management fee payable to the local government.

6. The status of title and grant of major approvals provided by the Group is as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificates	Yes

7. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. Dongguang Proamine has legally obtained both the land use rights and building ownership rights of the property (except the buildings stated in Note 3);

   b. The property (except the buildings stated in Note 3) can be freely used, leased, mortgaged or transferred by Dongguan Proamine in accordance with the valid term stipulated by the certificates;

   c. The property (except the buildings stated in Note 3) is subject to a mortgage in favour of China Citic Bank; and

   d. All land premium and other relevant fees have been settled in full.

8. Dongguan Proamine is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
2.	3 land parcels, various buildings and structures located at Global Road, Tutang Village, Changping Town, Dongguan City, Guangdong Province, The PRC	The property comprises 3 parcels of land with a total site area of approximately 54,398.41 sq.m. (or about 585,544 sq.ft.) and 16 buildings and various ancillary structures completed in various stages between 1995 and 2007 erected thereon. The total gross floor area ("GFA") of the buildings is approximately 59,576.51 sq.m. (or about 641,282 sq.ft.). The buildings mainly include warehouses, factories and dormitories and the structures mainly include roads, walls and a gate. The land use rights of the property have been granted for various terms with the latest expiry date on 17 August 2055 for industrial use.	As at the date of valuation, the property was partly occupied by the Group for industrial purpose and partly leased to a third party for a term expiring on 31 December 2009 for production purpose at a monthly rent of RMB9/sq.m.	293,000,000 (93.2% interest attributable to the Group: HK$273,076,000)

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates issued by the People's Government of Dongguan City dated between 17 May 2005 and 16 September 2005, the land use rights of 3 land parcels with a total site area of about 54,398.41 sq.m. have been granted to Global Cosmetics (China) Company Limited ("Global Comestics") for various terms with the latest expiry date on 17 August 2055 for industrial use. The details of which are summarized as below:

No.	Certificate No.	Issue Date	Site Area (sq.m.)
1.	Dong Fu Guo Yong (2005) Di No. Te 507	17 May 2005	12,643.80
2.	Dong Fu Guo Yong (2005) Di No. Te 508	17 May 2005	18,035.61
3.	Dong Fu Guo Yong (2005) Di No. Te 1215	16 September 2005	23,719.00
		Total:	54,398.41

2. Pursuant to 16 Real Estate Title Certificates issued by the People's Government of Dongguan City, 16 buildings with a total GFA of approximately 59,576.51 sq.m. are legally owned by Global Comestics for factory, warehouse and dormitory purposes. The details of which are summarized in the table below:

No.	Certificate No.	Issue Date	Year of Completion	Building	No. of Storeys	GFA (sq.m.)
1.	C2401892	6 September 2007	2007	Factory	3	3,641.58
2.	C2401929	25 October 2007	2007	Factory	2	2,957.55
3.	C2401919	25 October 2007	2007	Factory	2	2,957.55
4.	C2401932	25 October 2007	2007	Factory	3	5,809.28
5.	C2401893	6 September 2007	2007	Factory	3	4,521.57
6.	C2401894	6 September 2007	2007	Factory	4	5,865.88
7.	C2401888	6 September 2007	2007	Factory	4	5,450.18
8.	C2401886	6 September 2007	2007	Factory	3	4,490.25
9.	C2401895	6 September 2007	2007	Warehouse	1	1,257.84
10.	C2401890	6 September 2007	2007	Warehouse	1	3,180.00
11.	C2401906	8 October 2007	2007	Warehouse	1	2,296.00
12.	C2401900	8 October 2007	2007	Dormitory	4	2,397.68
13.	C2401903	8 October 2007	2007	Dormitory	3	1,798.26
14.	C2401935	25 October 2007	2007	Dormitory	3	2,381.57
15.	C2401907	11 October 2007	2007	Dormitory	6	5,755.00
16.	C2401918	11 October 2007	2007	Dormitory	6	4,816.32
					Total:	59,576.51

3. Pursuant to a tenancy agreement dated 1 September 2007, 2 buildings of the property with a total gross floor area of 5,748.09 sq.m. were let by Global Comestics to Dongguan Gao Bao Chemical Company Limited (東莞高寶化工有限公司), which is a subsidiary of the Company, for a term expiring on 31 December 2009 at a monthly rent of RMB9/sq.m. for production purpose.

4. Pursuant to a tenancy agreement dated 1 September 2007, a building of the property with a gross floor area of 2,957.55 sq.m. was let by Global Comestics to Dongguan Tai Li Biological Engineering Limited (東莞太力生物有限公司), which is an independent third party, for a term expiring on 31 December 2009 at a monthly rent of RMB9/sq.m. for production purpose.

5. The status of title and grant of major approvals provided by the Group is as follows:

State-owned Land Use Rights Certificates	Yes
Real Estate Title Certificates	Yes

6. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. Global Comestics has legally obtained both the land use rights and building ownership rights of the property;

   b. The property can be freely used, leased, mortgaged or transferred by Global Comestics in accordance with the valid term stipulated by the certificates;

   c. The property is subject to a mortgage in favour of Agricultural Bank of China; and

   d. All land premium and other relevant fees have been settled in full.

7. Global Comestics is a 93.2%-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II – Properties leased by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
3.	Shop Nos. 1013-1014 on 1st Floor, United Centre, No. 95 Queensway, Hong Kong	The property comprises 2 retail units on the first floor of a 35-storey commercial building completed in 1981. The property has a total gross floor area of approximately 155.7 sq.m. (or about 1,676 sq.ft.). The property is leased to the Group from an independent third party for a term of 2 years from 1 July 2008 to 30 June 2010 at a monthly rent of HK$55,000 exclusive of rates, government rent, management fee and air-conditioning fee.	The property is occupied by the Group for retail purpose.	No Commercial Value

Note:

The tenant of the property is Cristal Marketing Management Company Limited, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
4.	Unit 902 on Level 9, New Town Tower, Nos. 8-18 Pak Hok Ting Street, Shatin, New Territories, Hong Kong	The property comprises an office unit on the ninth floor of a 12-storey office building erected on a commercial podium completed in 1989. The property has a gross floor area of approximately 82.1 sq.m. (or about 884 sq.ft.). The property is leased to the Group from an independent third party for a term of 3 years from 1 February 2009 to 31 January 2012 at a monthly rent of HK$42,432 exclusive of rates, government rent, management fee and air-conditioning fee.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

The tenant of the property is Cristal Marketing Management Company Limited, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
5.	Units 903-904 on Level 9, New Town Tower, Nos. 8-18 Pak Hok Ting Street, Shatin, New Territories, Hong Kong	The property comprises 2 office units on the ninth floor of a 12-storey office building erected on a commercial podium completed in 1989. The property has a total gross floor area of approximately 144.4 sq.m. (or about 1,554 sq.ft.). The property is leased to the Group from an independent third party for a term of 3 years from 16 October 2009 to 15 October 2012 at a monthly rent of HK$71,484 exclusive of rates, government rent, management fee and air-conditioning fee.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

The tenant of the property is Cristal Marketing Management Company Limited, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
6.	Unit 807 on 8th Floor, Miramar Tower, No. 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong	The property comprises an office unit on the eighth floor of an 18-storey office building erected on a commercial podium completed in 1993. The property has a gross floor area of approximately 233.1 sq.m. (or about 2,509 sq.ft.). The property is leased to the Group from an independent third party for a term of 2 years from 1 November 2009 to 31 October 2011 at a monthly rent of HK$70,252 exclusive of rates, government rent, management fee and air-conditioning fee.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

The tenant of the property is Cristal Marketing Management Company Limited, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
7.	Units 1901-1903 on 19th Floor, Soundwill Plaza, No. 38 Russell Street, Causeway Bay, Hong Kong	The property comprises 3 office units on the nineteenth floor of a 36-storey office building completed in 1996. The property has a total gross floor area of approximately 381.4 sq.m. (or about 4,105 sq.ft.). The property is leased to the Group from an independent third party for a term of 3 years from 16 November 2007 to 15 November 2010 at a monthly rent of HK$29,867.3 exclusive of rates, government rent, management fee and air-conditioning fee.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

The tenant of the property is Cristal Marketing Management Company Limited, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

	Property	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 November 2009** *HK$*
8.	19th Floor, Euro Trade Centre, Nos. 13-14 Connaught Road Central & Nos. 21-23 Des Voeux Road Central, Hong Kong	The property comprises the whole of the nineteenth floor of a 23-storey office building completed in 1982. The property has a gross floor area of approximately 488.8 sq.m. (or about 5,261 sq.ft.). The property is leased to the Group from an independent third party for a term of 4 years from 1 September 2006 to 31 August 2010 at a monthly rent of HK$147,308 exclusive of rates, government rent, management fee and air-conditioning fee.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

The tenant of the property is Cristal Marketing Management Company Limited, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
9.	Unit No. A on 34th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	The property comprises an office unit on the thirty-fourth floor of a 50-storey office building completed in 1988. The property has a gross floor area of approximately 256.9 sq.m. (or about 2,765 sq.ft.). The property is leased to the Group from an independent third party for a term of 1 year from 1 July 2009 to 30 June 2010 at a monthly rent of HK$138,250 exclusive of rates, government rent, management fee and air-conditioning fee.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

The tenant of the property is Global Chemicals (China) Company Limited, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
10.	Unit Nos. B, C, D and E on 34th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	The property comprises 4 office units on the thirty-fourth floor of a 50-storey office building completed in 1988. The property has a total gross floor area of approximately 498.5 sq.m. (or about 5,366 sq.ft.). The property is leased to the Group from an independent third party for a term of 1 year from 1 July 2009 to 30 June 2010 at a monthly rent of HK$268,300 exclusive of rates, government rent, management fee and air-conditioning fee.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

The tenant of the property is Global Chemical Investment Limited, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III – Properties leased by the Target Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
11.	Room 301, Unit 3, Building No. 1, Jin Shan Home Community, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	The property comprises a residential unit on Level 3 of a 5-storey residential building completed in 2006. The property has a gross floor area of approximately 97.47 sq.m. (or about 1,049 sq.ft.). Pursuant to a tenancy agreement, the property is leased to the Target Group from an independent third party for a term from 15 April 2009 to 15 April 2011 at an annual rent of RMB6,000.	The property is occupied by the Target Group for residential purposes.	No Commercial Value

Notes:

1. The tenant of the property is Hunan Westralian Mining Co., Ltd.

2. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. The tenancy agreement is legally valid and binding on the contracting parties; and

   b. Hunan Westralian Mining Co., Ltd. is entitled to legally occupy and use the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
12.	A residential unit on Level 4 of a building opposite to Chenzhou Modern City, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	The property comprises a residential unit on Level 4 of a 5-storey residential building completed in 2008. The property has a gross floor area of approximately 150 sq.m. (or about 1,614.6 sq.ft.). Pursuant to a tenancy agreement, the property is leased to the Target Group from an independent third party for a term from 24 June 2009 to 24 June 2010 at an annual rent of RMB5,000.	The property is occupied by the Target Group for residential purposes.	No Commercial Value

Notes:

1. The tenant of the property is Hunan Westralian Mining Co., Ltd.

2. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. The tenancy agreement is legally valid and binding on the contracting parties; and

   b. Hunan Westralian Mining Co., Ltd. is entitled to legally occupy and use the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
13.	Room 402, Guanzhuang New Town, Yuanling County, Huaihua City, Hunan Province, The PRC	The property comprises a residential unit on Level 4 of a 5-storey residential building completed in 1997. The property has a gross floor area of approximately 150 sq.m. (or about 1,614.6 sq.ft.). Pursuant to a tenancy agreement, the property is leased to the target Group from an independent third party for a term from 1 August 2008 to 1 August 2011 at an annual rent of RMB5,000.	The property is occupied by the Target Group for residential purposes.	No Commercial Value

Notes:

1. The tenant of the property is Hunan Westralian Mining Co., Ltd.

2. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. The tenancy agreement is legally valid and binding on the contracting parties; and

   b. Hunan Westralian Mining Co., Ltd. is entitled to legally occupy and use the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
14.	Room 403, Xiong Jin Furniture Shop, Jinshan Road, Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, The PRC	The property comprises a residential unit on Level 4 of a 5-storey building completed in 2008. The property has a gross floor area of approximately 160 sq.m. (or about 1,722.24 sq.ft.). Pursuant to a tenancy agreement, the property is leased to the Target Group from an independent third party for a term from 10 September 2008 to 10 September 2011 at an annual rent of RMB5,000.	The property is occupied by the Target Group for residential purposes.	No Commercial Value

Notes:

1. The tenant of the property is Hunan Westralian Mining Co., Ltd.

2. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. The tenancy agreement is legally valid and binding on the contracting parties; and

   b. Hunan Westralian Mining Co., Ltd. is entitled to legally occupy and use the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
15.	Two classrooms in a former school located at Mu Zhuo Pu Village, Guanzhuang Town, Yuanling District, Huaihua City, Hunan Province, The PRC	The property comprises 2 classrooms on Level 1 of a 2-storey former school completed in 1986. The property has a total gross floor area of approximately 110 sq.m. (or about 1,184 sq.ft.). Pursuant to a tenancy agreement, the property is leased to the Target Group from an independent third party for a term from 20 September 2009 to 19 September 2010 at a monthly rent of RMB500.	The property is occupied by the Target Group for storage purposes.	No Commercial Value

Notes:

1. The tenant of the property is Hunan Westralian Mining Co., Ltd.

2. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. The tenancy agreement is legally valid and binding on the contracting parties; and

   b. Hunan Westralian Mining Co., Ltd. is entitled to legally occupy and use the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
16.	A former rest home located at Sandushui Village, Guanzhuang Town, Yuanling District, Huaihua City, Hunan Province, The PRC	The property comprises an office unit of a single-storey building completed in 2002. The property has a gross floor area of approximately 237 sq.m. (or about 2,551 sq.ft.). Pursuant to a tenancy agreement, the property is leased to the Target Group from an independent third party for a term from 1 August 2008 to 31 July 2013 at an annual rent of RMB18,000.	The property is occupied by the Target Group for office purposes.	No Commercial Value

Notes:

1. The tenant of the property is Hunan Westralian Mining Co., Ltd.

2. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. The tenancy agreement is legally valid and binding on the contracting parties; and

   b. Hunan Westralian Mining Co., Ltd. is entitled to legally occupy and use the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2009 *HK$*
17.	A house located at the side of 319 National Highway of Sandushui Village, Guanzhuang Town, Yuanling District, Huaihua City, Hunan Province, The PRC	The property comprises a 2-storey house completed in 2002. The property has a gross floor area of approximately 410 sq.m. (or about 4,413 sq.ft.). Pursuant to a tenancy agreement, the property was leased to the Target Group from an independent third party for a term from 1 December 2007 to 30 November 2009 at a monthly rent of RMB5,000.	As at the date of valuation, the property was occupied by the Target Group for office, residential and first aid purposes.	No Commercial Value

Notes:

1. The tenant of the property is Hunan Westralian Mining Co., Ltd.

2. The opinion of the PRC legal advisor contains, inter alia, the following:

   a. The tenancy agreement is legally valid and binding on the contracting parties; and

   b. Hunan Westralian Mining Co., Ltd. is entitled to legally occupy and use the property.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Enlarged Group. 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 capital of the Company as at the Latest Practicable Date and following the completion of the Acquisition and the Capital Increase were and are expected to be as follows:

Authorised:		*HK$*
6,000,000,000	Shares	600,000,000
Proposed to increase the authorised share capital of the Company to:		
8,000,000,000	Shares	800,000,000
Issued and fully paid:		
2,620,781,300	Shares as at the Latest Practicable Date	262,078,130
762,022,000	Consideration Shares	76,202,200
2,237,978,000	Conversion Shares to be issued upon the exercise of the Convertible Bonds in full	223,797,800
Total (for illustrative purpose)		
5,620,781,300	Shares	562,078,130

All of the Shares in issue and to be issued rank and will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital on the relevant date of allotment are issue. The Shares in issue are, and subject to Completion, the Consideration Shares and the Conversion Shares to be issued will be listed on the Stock Exchange.

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) 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 any such Director or chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

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	Capacity	Number of ordinary Shares	Approximate percentage of interest
Chen Ganqiao	Interest of controlled corporation *(Note)*	569,046,976	21.71
Li Yongqiang	Interest of controlled corporation *(Note)*	569,046,976	21.71
Double Chance Investments Limited	Beneficial owner	569,046,976	21.71

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

Note: Double Chance Investments Limited is beneficially owned as to 51% by Chen Ganqiao and as to 49% by Li Yongqiang. Chen Ganqiao and Li Yongqiang are deemed to be interested in the 569,046,976 Shares held by Double Chance Investments Limited.

(b) As at the Latest Practicable Date, so far as is known to the Directors, the following entities were 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 Enlarged Group:

Name of member of the Enlarged Group	Name of shareholder	Approximate percentage of interest
Mining Company	Brigade 407	20% of the registered capital

(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 member of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACTS

On 25 September 2009, Mr. Yip Chung Wai David, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 25 September 2009 subject to normal retirement by rotation and re-election by Shareholders in accordance with of the articles of association (the "**Articles of Association**") of the Company. Pursuant to such service agreement, Mr. Yip is entitled to a monthly salary of HK$78,000.

On 25 September 2009, Mr. Wong Hiu Tung, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 25 September 2009 subject to normal retirement by rotation and re-election by Shareholders in accordance with of the Articles of Association. Pursuant to such service agreement, Mr. Wong is entitled to a monthly salary of HK$50,000.

On 25 September 2009, Mr. Jia Xuelei, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 25 September 2009 subject to normal retirement by rotation and re-election by Shareholders in accordance with of the Articles of Association. Pursuant to such service agreement, Mr. Jia is entitled to a monthly salary of HK$15,000.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had 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 were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There was no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

Name	Qualification
Cachet Certified Public Accountants Limited	Certified public accountants
Hopkins CPA Limited	Certified public accountants
BMI Appraisals Limited	Independent valuer
GFE Law Office	Legal adviser as to the PRC laws
SRK Consulting China Limited	Technical adviser

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, all the experts above were not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, all the experts above did not, directly or indirectly, had any interest in any assets which had 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.

9. MATERIAL CONTRACTS

The Enlarged Group had entered into the following contracts within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are contracts not being in the ordinary and usual course of business of the Company or may be material:

(a) the agreement dated 11 September 2008 entered into between Cristal Marketing Management Company Limited 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;

(b) the underwriting agreement dated 20 January 2009 entered into among the Company, 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

(c) the sale and purchase agreement dated 22 May 2009 entered into among Title Best Limited (as vendor), the Company (as purchaser) and Mr. Leung Hung Fai (as warrantor) in relation to the acquisition of the entire issued share capital of Cristal Marketing Management Company Limited at a consideration of HK$320,000,000;

(d) the Sale and Purchase Agreement; and

(e) the Supplemental Sale and Purchase Agreement.

10. LITIGATION

As at the Latest Practicable Date, there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

11. GENERAL

(a) The registered address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Room 3401-08, 34th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(c) 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.

(d) 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.

(e) The company secretary of the Company is Mr. Fung Kwok Leung. He was appointed as the secretary of the Company with effect from 25 September 2009. Mr. Fung Kwok Leung holds an Honour Degree in Accountancy from the Hong Kong Polytechnic University, and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Room 3401-08, 34th Floor, Office Tower, Convention Plaza 1 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of EGM:

(a) the memorandum and articles of association of the Company;

(b) the Agreements;

(c) the written consents from the experts as referred to under the section headed "Qualifications and Consents of Experts" in this appendix;

(d) the valuation reports as set out in Appendices IX and X to this circular;

(e) the technical report as set out in Appendix VIII to this circular;

(f) the report on unaudited pro forma financial information of the Enlarged Group as set out in Appendix VI to this circular;

(g) the accountants report on the Target Group as set out in Appendix III to this circular;

(h) the accountants report on Supreme China Limited and its subsidiary as set out in Appendix IV to this circular;

(i) the report on unaudited pro forma financial information regarding the acquisition of Supreme China Limited as set out in Appendix V to this circular;

(j) the circular of the Company dated 12 June 2009;

(k) a copy of each of the service contracts referred to in the section headed "Directors' service contracts" in this Appendix;

(l) a copy of each of the material contracts as set out under the section headed "Material Contracts" in this Appendix;

(m) the annual reports of the Company for each of the two years ended 31 December 2008 and 31 December 2007 and the interim report of the Company for the six months ended 30 June 2009; and

(n) this circular.

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 IS HEREBY GIVEN THAT the extraordinary general meeting of Global Green Tech Group Limited (the "**Company**") will be held at Conference Room, Room 3401-08, 34th Floor, Office Tower, Convention Plaza, 1 Harbour Room, Wanchai, Hong Kong on 19 February 2010 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions, each as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** the authorised share capital of the Company be and is hereby increased from HK$600,000,000 to HK$800,000,000 by the creation of 2,000,000,000 new shares of HK$0.10 each."

2. "**THAT**:

(A) the conditional sale and purchase agreement dated 1 December 2009 September 2009 (as varied and supplemented by the supplemental agreement dated 9 December 2009) and entered into between Cosmos Castle Management Limited as vendor, the Company as purchaser and Mr. Wang Chun Lin as vendor guarantor in relation to the acquisition of the entire issued share capital of, and shareholder's loan to, Westralian Resources Pty. Ltd. ("**Acquisition**") ("**Sale and Purchase Agreement**") (a copy of the Sale and Purchase Agreement is marked "A" 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 directors of the Company ("**Directors**") be and are hereby specifically authorised to allot and issue, credited as fully paid, 762,022,000 shares of HK$0.10 each in the share capital of the Company (each, a "**Consideration Share**") in accordance with the terms and conditions of the Sale and Purchase Agreement;

(C) subject to completion of the Acquisition, the creation and issue of the Convertible Bonds (as defined in the circular of the Company dated 1 February 2010 ("**Circular**"), a copy of which is marked "**B**" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) on and subject to the terms and conditions of the Sale and Purchase Agreement be and are hereby approved and the allotment and issue of such number of shares of the Company (as defined in

* *For identification purposes only*

the instrument constituting the Convertible Bonds ("**Instrument**", a 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;

(D) all other transactions contemplated under the Sale and Purchase Agreement be and are hereby approved and the Directors or a duly authorised committee of the board of Directors be and are/is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Sale and Purchase Agreement, the allotment and issue of the Consideration Shares, the creation of the Convertible Bonds and the allotment and issue of shares of the Company upon the exercise of the conversion rights attaching to the Convertible Bonds in accordance with the terms and conditions of the Instrument, and to agree to such variation, amendments or wavier or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Sale and Purchase Agreement) as are, in the opinion of the Directors or the duly authorised committee, in the interest of the Company and its shareholders as a whole."

By order of the Board
Global Green Tech Group Limited
Yip Chung Wai, David
Executive Director

Hong Kong, 1 February 2010

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 registrar, 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.